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## The Business of Government

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## Governing around the Globe—Expanding the Center’s Reach to Help Connect Leaders and Promote Excellence

In the past year, the IBM Center for The Business of Government has entered a compelling and new phase in how we carry out our mission to help government. Increasingly, governments around the world are asking questions about government efficiency and effectiveness that are similar to those that have engaged the Center with U.S. government leaders for nearly two decades. These questions include how the public sector can best manage to achieve outcomes given limited resources; how government can leverage innovation, social media, and open data to improve services; and what leaders can do to inspire agencies and stakeholders to perform well for their citizens. The U.S. Government can learn much from, as well as provide a source of expertise for, its international partners; the Center seeks to help expand actionable pathways to expand such exchanges.

Interest in these issues comes to us from a broad range of nations, including parliamentary and democratic forms of government, as well as countries in various stages of development. In recent months, we have engaged with officials from national governments, including the United Kingdom, India, Canada, Korea, the Netherlands, and Peru. Visiting dignitaries are very interested in learning about successes and lessons learned in the United States and abroad, as well as commercial practices that can be adapted for the public sector. And these meetings help the Center to bring new ideas to our U.S. colleagues. For example, we have highlighted the Indian government’s comprehensive “digital India” strategy as an effective and comprehensive modernization platform, and we have learned much from the shared services experience in Canada. Here are some examples:

- In the last two years, the Center has briefed a delegation from the government of Peru, which spends a month at the University of Maryland on the general topic of open data, innovation, and economic growth. We helped these executives understand how they might adapt innovations from the EU and the U.S.
- The leader of Canada’s Shared Services office, Liseanne Forehand, worked with the Center to deliver a keynote address for a meeting that we co-hosted with the Partnership for Public Service around incorporating management priorities into the 2016 presidential transition process. Ms. Forehand addressed how government agencies can collaborate and integrate to function as an enterprise.
- A delegation of IT leaders from the Korean government that is visiting American University will meet with the Center for insight on what they can learn from trends in the U.S., specifically around cloud, analytics, and cybersecurity.

Many of these experiences relate to topics that we also highlight in the current edition of *The Business of Government*. As we interact with U.S. and international leaders through

“The Business of Government Hour,” in forums like the Management Roadmap activity that we have undertaken with the Partnership for Public Service to support the 2016 Presidential transition (see my piece on p.82), and in meetings and briefings for visiting delegations, we will continue to highlight areas of opportunity for collaboration around management excellence.

In speaking with a range of leaders in the U.S. and overseas, we have learned that their engagement on collaborating for effective management ideas mirrors the increase in collective engagement by governments across a range of issues, from policy to technology to security. We are seeing significant growth in the use of cross-border online networks to develop and advance approaches that benefit from a much wider set of experiences among trading partners. Lead U.S. government agencies, including the Office of Management and Budget (OMB) and General Services Administration (GSA), have spoken publicly about benefitting from the examples of their counterparts, and about leveraging international institutions including the Organization for Economic Cooperation and Development (OECD) or the World Bank to expand mutual learning. As a result, the Center has similarly connected government leaders to serve as another channel for improving government through information sharing.

We welcome thoughts from the Center’s many stakeholders as to how this rich, cross-border dialogue can be of greatest benefit for government, both in the U.S. and around the world. ■



By Michael J. Keegan



**Michael J. Keegan** is Managing Editor of *The Business of Government* magazine and Host/Producer of *The Business of Government Hour*. His e-mail: michael.j.keegan@us.ibm.com.

From forging a unity of effort in homeland security to strategizing today how to field the U.S. Army of tomorrow; to pursuing affordable housing, eliminating fraud, waste, and abuse in healthcare, and securing cyberspace, this issue of *The Business of Government* magazine delves into a diverse set of topics and public management issues facing us today. With each edition, I present the leadership stories of a select group of public servants and complement their frontline experience with practical insights from thought leaders—merging real-world experience with practical scholarship. The purpose is not to offer definitive solutions to the many management challenges facing government executives, but to provide a resource from which to draw practical, actionable recommendations on how best to confront such issues.

Our present concerns always make significant demands, but the risks and threats of the day cannot usurp the strategic focus needed to chart our future. Government leaders need not bow to the tyranny of the present—bedeviled by the conundrum of balancing mission delivery with tightening budgets. For today's government leaders and managers, it is imperative to work toward strategically executing their missions. This strategic intent focuses on an organization's vision, goals, and objectives necessary to achieve its mission; it is marked by clarity of focus, a desired end, a flexibility of means, with criteria used to chart progress. It represents a need to think ahead and plan backward from an envisioned future, making it clearer how to take effective action in the present.

### Conversations with Leaders

Throughout the year, I have the pleasure of speaking with key government executives and public sector leaders about their agencies, accomplishments, and visions of government in the 21st century. The four profiled manifest the leadership and strategic foresight needed to meet their varied missions.



- **Shantanu Agrawal, M.D.**, director, Center for Program Integrity, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services (HHS), leads the department's efforts to combat fraud, waste, and abuse of federal healthcare programs. CPI uses innovative data technology and expertise to protect the integrity of our healthcare programs and safeguard taxpayer resources. Dr. Agrawal discusses the strategic priorities of the Center, moving beyond the "pay and chase" approach, and exploring new ways to engage the private sector to combat fraud, waste, and abuse.
- **Nani Coloretti**, deputy secretary, U.S. Department of Housing and Urban Development (HUD) spearheads the department's efforts to achieve operational excellence. With a mission focused on issues of affordable housing, responsible homeownership, homelessness, and contributing to economic development, Coloretti outlines HUD's key strategic priorities, its opportunity agenda, and its work to build a stronger HUD for the next 50 years.
- **Major General John Ferrari**, director, Program Analysis and Evaluation (PA&E), Office of the U.S. Army's deputy chief of staff, G-8, plays an integral role in shaping the U.S. Army in an increasingly uncertain environment. The office he leads develops and explains the Army program and Future Years Defense Program (FYDP); develops and maintains the Army's authoritative resource position database; and coordinates programming and budgeting phases. He highlights the U.S. Army's key strategic and



operational objectives, budget challenges, and efforts to reshape its force, with the goal of achieving an optimal balance between resources and requirements.

- **Alejandro Mayorkas**, deputy secretary, U.S. Department of Homeland Security, is charged with leading the department's "Unity of Effort" initiative. The overarching goal of this effort is two-fold: to deepen understanding of the DHS mission space and to empower the department's components to effectively execute its operations. Over the last year, DHS has pursued this unity of effort against the backdrop of challenges including tightening budgets, low morale, and complex oversight structures.

### Insights from Leaders

This edition introduces five government executives who share their insights on the work they do and the efforts they lead. Their respective missions force them to look ahead, and although they come from diverse disciplines, they are all focusing on finding what works.



- **Ellen Herbst**, chief financial officer and assistant secretary for administration, U.S. Department of Commerce, offers her insights on properly aligning mission support functions with mission delivery and responding more effectively to mission and management challenges.
- **Joseph Klimavicz**, deputy assistant attorney general/chief information officer, U.S. Department of Justice, shares his insights into the expanding role of the CIO within federal departments. He outlines the information technology strategy for DOJ and his efforts to build a future-ready workforce.
- **Jolene Lauria**, deputy assistant attorney general/controller, U.S. Department of Justice, describes the successful implementation of the department's Unified Financial Management System (UFMS), turning a longstanding departmental vision of operating a single modern financial management system into a reality.
- **Richard McKinney**, chief information officer, U.S. Department of Transportation, details insights on leveraging information technology to advance the department's mission: transportation safety. He discusses oversight responsibility over the entire Department of Transportation (DOT) IT portfolio and outlines the department's data strategy. He also shares insights into the requirements of the Federal IT Acquisition Reform Act (FITARA).
- **Dr. Phyllis Schneck**, deputy under secretary, Cybersecurity and Communications, National Protection and Programs Directorate (NPPD), U.S. Department of Homeland Security, leads an office responsible for enhancing the security, resilience, and reliability of the nation's cyber and communications infrastructure. She puts forward insights on the mission of the National Cybersecurity and Communications Integration Center (NCCIC) and how DHS is building capacity to accelerate the sharing of cyber threats.

### Forum on Pursuing Risk Management in Government—A Leadership Imperative

It is a leadership imperative for government executives to mitigate the potency of uncertainty by managing the realities of risk. Employing an enterprise risk management (ERM) process can assist leaders in doing just that. When employed on a strategic level, ERM can help decision makers evaluate the likelihood and impact of major events and formulate the best way to either prevent them or manage their effects, if they do occur. Many changes are now occurring that have the potential to make government function better.



It is a positive change that an increasing number of federal agencies have recognized the value of ERM and are making ERM an important part of their operational model.

This forum presents government leaders with insights, recommendations, and best practices drawn from two recent IBM Center reports that focus on managing risk in government. The first contribution to this forum comes from Dr. Douglas Webster and Thomas Stanton's report, *Improving Government Decision Making through Enterprise Risk Management*. Webster and Stanton describe the evolution of federal risk management approaches and several agencies' experiences in adopting ERM. They present six challenges facing government leaders, and outline six steps that leaders can take to successfully implement ERM. The second contribution to this forum is excerpted from *Risk Management for Grants Administration: A Case Study of the Department of Education*. Authors Young Hoon Kwak and Julia Keleher examine the experience of the U.S. Department of Education in implementing risk management initiatives in 2001. Based on their examination of the Department of Education's experience, Young and Keleher present a series of lessons learned and recommendations for other agency leaders who recognize the mission-critical importance of managing risk more effectively.



This forum underscores the leadership imperative of taking risk seriously and highlights methods and ways to get out in front of an ever evolving threat environment.

### Perspective on Presidential Transitions

The development of government-wide presidential transition planning in the U.S. has a relatively short history. The next presidential administration and senior-level appointees need to be ready to lead and manage the government effectively when they step into the office on day one.

- What are the characteristics of a well-prepared, successful presidential transition?
- How does the 2008-2009 presidential transition represent a model to be followed by future incoming and outgoing administrations?
- What more can be done to enhance the U.S. presidential transition process?

Martha Joynt Kumar, author of *Before the Oath: How George W. Bush and Barack Obama Managed a Transfer of Power* joined me on *The Business of Government Hour* to share her perspective on these questions and to discuss her latest book on presidential transitions. Her research underscores the importance of early planning in the presidential transition process among incoming and outgoing administrations. Kumar enjoyed unprecedented access to several incumbent and candidate transition teams, and her observations put readers directly behind the scenes.



### Viewpoints

John Kamensky explores the Obama administration's innovation-fostering initiatives that have strengthened the connective links among and within federal agencies. Dan Chenok explains the IBM Center's year-long collaboration with the Partnership for Public Service to frame key management issues and opportunities for the next presidency and develop a management roadmap for the next administration.

I wrap this edition with overviews of recent IBM Center reports. If you have not read these reports, we encourage you to do so by going to [businessofgovernment.org](http://businessofgovernment.org). I hope you enjoy this edition of *The Business of Government* magazine. Please let us know what you think by contacting me at [michael.j.keegan@us.ibm.com](mailto:michael.j.keegan@us.ibm.com). ■

# New Approaches to Program Integrity: A Conversation with Shantanu Agrawal, M.D., Director, Center for Program Integrity, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services

*Fraud, waste, and abuse of federal healthcare programs serving seniors and taxpayers affect every American by draining critical resources from our healthcare system. Along with hampering our healthcare system, these illegal activities undermine the nation's economy.*

*In 2014, the U.S. was projected to spend \$3.1 trillion on healthcare, generating billions of claims from healthcare service and product providers every year. Medicare alone accounts for \$635 billion in annual spending. In fiscal year 2013, the fraud, waste, and abuse prevention and enforcement efforts pursued by the U.S. government resulted in a record-breaking recovery of \$4.3 billion in taxpayer dollars. The Centers for Medicare and Medicaid Services (CMS), and its comprehensive program integrity strategy, implements innovative data technologies and draws on expertise from across the country to continue to make improvements in protecting the integrity of our healthcare programs and safeguarding taxpayer resources. Dr. Shantanu Agrawal, director, Center for Program Integrity, joined me on The Business of Government Hour to discuss topics including strategic priorities of the Center, how it is moving beyond the “pay and chase” approach and exploring new ways to engage the private sector to combat fraud, waste, and abuse. The following is an edited excerpt of our discussion, complemented with additional research. – Michael J. Keegan*

## On the Mission of CMS's Center for Program Integrity

Let's start by providing some context on the mission of the Centers for Medicare and Medicaid Services (CMS), which is an agency inside the U.S. Department of Health and Human Services. CMS is the agency that administers the Medicare and Medicaid programs. Between these programs, CMS covers about 100 million beneficiaries or patients. Medicare is generally, with some exceptions, healthcare for the elderly. Medicaid is generally healthcare for the socioeconomically disadvantaged. The Medicaid programs are run directly by the states. There are 56 different Medicaid programs that among them account for about 4.4 million claims per day.



On the Medicare side, we also see about that many, roughly 4.5 million claims per day and pay about a billion dollars per day.

Between these programs, CMS accounts for about 40 percent of the national healthcare expenditure, including both the public and private sectors. This makes it the largest [healthcare] payer certainly in the United States, probably the world. I'd say the most significant evolution within CMS has to do with the many initiatives required under the Affordable Care Act (ACA) to move us from a volume-driven healthcare system to one that prioritizes value.

The Center for Program Integrity (CPI) was created just before the passage of the Affordable Care Act, but I think what was really important is that the ACA gave the Center expanded

authority. Our mission focuses on the entire spectrum of fraud, waste, and abuse in Medicare and Medicaid. I think of it very simply as: paying for the right services for our beneficiaries and ensuring the safety of these beneficiaries in both programs. We are slotted for about 500 FTEs at the Center, after some recent internal alignment changes, so it is fairly sizable. I think what's really important is that we have a presence not only at headquarters, which is just south of Baltimore, but that we have offices throughout the country, with staff located in Philadelphia, Dallas, New York, Chicago and LA. That kind of national presence is important for a number of our activities and really allows us to have more on-the-ground intelligence of what's actually going on.

## On Challenges

It is interesting. There's quite a bit of discourse in society today about delivering value in healthcare: making sure what a payer is paying for—public or private payers—delivers value to patients. As a physician, I understand there's agreement or consensus that a significant portion of healthcare expenditures don't deliver the value to patients that we expect. Various experts peg about 30 percent to 40 percent of healthcare costs as wasteful—such things as unnecessary testing, duplication of services, lack of coordination, or lack of integration of care.

It is important to place our work in the broader context of waste in the healthcare system, which is connected to things like misaligned incentives, in the way that we pay for care. These can actually lead to abusive practices. We also have to acknowledge that a criminal element targets the healthcare systems to plunder resources that should be going to life-saving services and patient care. Leakage in the system, public or private, occurs at different levels. Our challenge involves having to address the full spectrum of activities related to fraud, waste, and abuse. Each area requires different and distinct strategies to combat them.

The waste related to misaligned incentives, or the supposed "fraud" from poor documentation, won't be mitigated by the same strategies in which we go after the actual bad actors ... that criminal element I mentioned earlier. We have a variety of ways of addressing these concerns. We can do it through payment and coverage policy. We can do it through payments innovation, education and outreach, and then direct activities that control utilization.

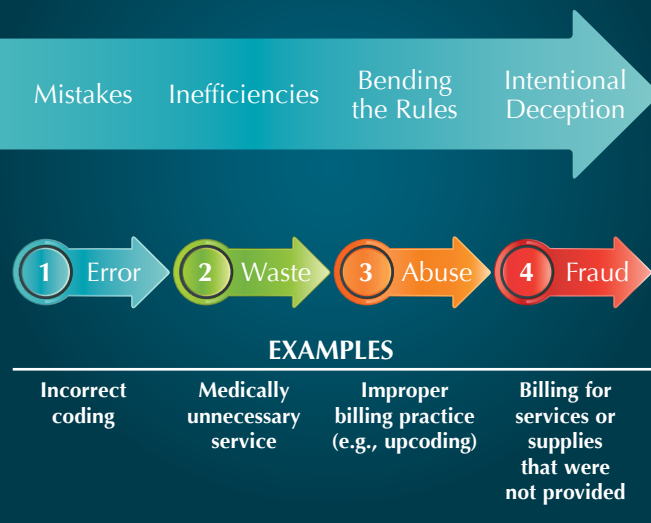
Challenges abound, given the sheer size and complexity of the programs administered by CMS, but here are a few:



- **Ensure Coordination:** Our first challenge is ensuring successful coordination of our efforts across the department and with other federal agencies. I've seen among CMS leadership a real willingness to do that and build on that coordination, which has aided my efforts.
- **Identify Real Vulnerabilities:** The second challenge has its roots in the volume and size, the sheer magnitude of the programs. We need to make sure we're not overwhelmed by this reality. We need to understand how to

## Range of Program Integrity Activities

Program Integrity encompasses a range of activities to target the causes of improper and fraudulent payments.





prioritize the various issues we encounter. It is a challenge to make sure that we are going after issues that represent real vulnerabilities, which, if successfully addressed, can lead to real savings. That savings can then be used to provide legitimate healthcare services for our beneficiaries.

- **Balance Means with Ends:** Finally, I think we need to make sure we address program vulnerabilities with the right tools at our disposal. It is a matter of balancing ends and means. We need to secure the integrity of our programs. We need to do this without overly burdening the very legitimate physicians and providers that we have in our system that are seeing our patients and providing necessary healthcare services. I think it's a very difficult balance to achieve.

### On Key Strategic Priorities

Meeting these challenges head-on involves pursuing key strategic priorities. I'd like to highlight some key priorities:

- **Provider Enrollment Screening Standards:** We've integrated literally hundreds of databases to give us access to right-time information, so we can check provider eligibility both at the time of enrollment and

post-enrollment to ensure providers are maintaining their eligibility. We receive about 10,000 enrollment applications per month—not a trivial task. This year, we are also focusing on enrolling providers, who may want to simply prescribe medication under Medicare and not bill other kinds of services.

- **Program Integrity Education, Training, and Collaboration:** There are several initiatives we are pursuing around education and training. The Medicaid Integrity Institute (MII) provides a unique opportunity for CMS to offer substantive training, technical assistance, and support to the states in a structured learning environment. The MII's effective training is tailored to meet the ongoing needs of state Medicaid program integrity employees, with the goal of raising national program integrity performance standards and professionalism. We're also providing similar services directed at the private sector through our public-private partnership.

On the other side, we'll continue to expand our outreach and education with providers to make sure they're aware of our policies and collaborate on remedying issues we all care about. Again, the vast majority of providers are doing the right thing. They're taking care of patients and we need to preserve that relationship, but we also need to weed out those bad actors while we collaborate with those whose intentions are good, but for whatever reason seem to be missing the mark when it comes to documentation.

We are also looking to conduct similar activities with private payers—many of the same issues and vulnerabilities that we experience are also experienced by the private sector. We're working more closely now with the private sector to try to close those vulnerabilities across the entire healthcare system.

- **Advanced Predictive Analytics:** Data is essential to what we do. We have implemented a state-of-the-art predictive analytics technology—the Fraud Prevention System (FPS). Since June 2011, the FPS has run predictive algorithms and other sophisticated analytics nationwide against all Medicare fee-for-service (FFS) claims prior to payment. For the first time in the history of the program, CMS is systematically applying advanced analytics against Medicare FFS claims on a streaming, nationwide basis as part of its comprehensive program integrity strategy. CMS made significant progress using the FPS to identify bad actors and take administrative action to protect program integrity.



In this June 18, 2015, photo, Shantanu Agrawal, deputy administrator for program integrity and director of the center for program integrity at the Centers for Medicare & Medicaid Services, speaks during a news conference at the Justice Department in Washington. Attorney General Loretta Lynch listens at left. Medicare says its computerized fraud prevention system identified \$454 million in problematic payments and generated a financial return for the taxpayer of \$10 for every dollar spent last year. (AP Photo/Pablo Martinez Monsivais)

“The shift from the current fee-for-service system to one that really prioritizes quality outcomes and value is absolutely the right shift. It’s right for many reasons beyond just program integrity. It’s right for American healthcare, for patients, and ultimately right for providers.”

— Shantanu Agrawal, M.D.



### CPI's Strategic Direction



With FPS, we work every day to try to realize savings, but it's not only more identified savings; we've also taken some significant actions as a result of the system. Over 900 providers have faced some kind of administrative action, either starting a new investigation or audit or supplementing something that already existed.

- **Timely and Efficient Action:** A priority of mine is to focus on timely and efficient action. We have to focus on the right vulnerabilities and issues. We have to use the right tools at our disposal to address these issues and focus on meeting outcomes. I don't like the notion of interminable audits or endless investigation. It's burdensome on providers. Let's take the most appropriate actions that address the weakness of vulnerabilities, for it is our job to ensure the integrity of these programs.

### On the Benefits of the Fraud Prevention System

I referenced the FPS earlier and wanted to elaborate. When FPS models identify egregious, suspect, or aberrant activity, the system automatically generates and prioritizes leads for review and investigation by CMS's Zone Program Integrity Contractors (ZPICs). The ZPICs then identify administrative actions that can be implemented swiftly, such as revocation, payment suspension, or prepayment review, as appropriate. The FPS is also an important management tool, as it prioritizes leads for ZPICs in their designated region, making our program integrity strategy more data-driven.

In its second year of operation, CMS's FPS identified or prevented more than \$210 million in improper Medicare fee-for-service payments, double the previous year. It also resulted in CMS taking action against 938 providers and suppliers. The FPS is a key element of the joint anti-fraud strategy between the Department of Justice (DOJ) and HHS that has led to a record \$19.2 billion in recoveries between 2009 and 2013, up from \$9.4 billion over the prior five-year period.

### On Collaboration with the Private Sector

CMS is engaging with the private sector in new ways to better share information to combat fraud. For example, the Healthcare Fraud Prevention Partnership (HFPP) has successfully shared information and built confidence and trust among partners since its inception in July 2012. The number of state partners has grown, with the state program integrity or oversight offices of Illinois, Massachusetts, Texas, Vermont, and California joining along with private payers. We are continuing to grow strategically by adding new partners and identifying additional overlapping fraud schemes. The HFPP has completed studies—Misused Codes and Fraud Schemes, Non-Operational Providers (or “false store fronts”), Revoked and Terminated Providers, and Top-Billing and High Risk Pharmacies—that have enabled partners, including CMS, to take substantive actions to stop payments from going out the door. The HFPP is now in the process of launching three new studies based on successful



“In combating fraud, waste, and abuse, we’ve prioritized moving away from a ‘pay and chase’ model to a prevention model. The ‘pay and chase’ model is fraud driven and again, there is fraud in the system, which we take seriously, as it is criminal activity. That said, we must also focus on prevention, making sure we reduce waste in the healthcare system while also driving patient value.”



identification of continuing challenges faced by current and new members.

The President's FY 2016 budget proposal included additional support for the HFPP collaboration. The proposal would give CMS the authority to accept gifts made to the trust funds for particular activities funded through the Health Care Fraud and Abuse Control Account, including the HFPP. Currently, the account can only receive gifts that are made for an unspecified purpose. This proposal would allow gifts to be made to support the HFPP directly, and allow both public and private partners to support the anti-fraud program.

### On Shifting Away From “Pay and Chase”

In combating fraud, waste, and abuse, we've prioritized moving away from a “pay and chase” model to a prevention model. The “pay and chase” model is fraud driven and again, there is fraud in the system, which we take seriously, as it is criminal activity. That said, we must also focus on prevention, making sure we reduce waste in the healthcare system while also driving patient value. Shedding nearly 50,000 providers who didn't belong in the system because they failed to meet our requirements is a good example of a prevention strategy at work. We no longer need to pay providers who have no business collecting payments, and therefore, won't have to chase down improper payments from these ineligible providers.

### On the Future

The shift from the current fee-for-service system to one that really prioritizes quality outcomes and value is absolutely the right shift. It's right for many reasons beyond just program integrity. It's right for American healthcare, for patients, and ultimately right for providers.

This shift would de-emphasize focusing on specific procedures and the sheer volume of services that are provided. It would emphasize less on performing more procedures and

ask the question that frankly, patients care about a lot more: what am I getting for those services and how is it helping to preserve or improve my health?

I'm very optimistic that this shift will help us move away from certain misaligned incentives unique to a fee-for-service model. It represents a culture and mindset shift in healthcare as payment reform places more of the financial decision making—but also financial risk—on the provider side. It will lead to reducing unnecessary procedures and the misallocation of resources.

### On Leadership

I have to be pragmatic. As a political appointee, my time leading the Center is limited, so I need to set an agenda that guides the direction of the Center. Being successful within this context means building relationships and getting the career folks, who are going to be here long after I am gone, on board. They have to believe that the direction is right, so I engage in consensus-driven decision making—making sure the people who care and the people who are going to be impacted by the decisions have an opportunity to be involved. It's very important, because these activities may continue long after my opportunity to do this job ends. ■

To learn more about Center for Program Integrity, go to [www.cms.gov/about-cms/components/cpi/center-for-program-integrity.html](http://www.cms.gov/about-cms/components/cpi/center-for-program-integrity.html).



To hear *The Business of Government Hour* interview with Shantanu Agrawal, M.D., go to the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



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# Pursuing an Opportunity Agenda: A Conversation with Nani Coloretti, Deputy Secretary, U.S. Department of Housing and Urban Development

*In September 1965, President Lyndon Johnson signed into law legislation establishing the U.S. Department of Housing and Urban Development (HUD) as the 11th department of the federal government. At the time, President Johnson said, “We must make sure that every family in America lives in a home of dignity and a neighborhood of pride, a community of opportunity and a city of promise and hope.” Good housing and strong communities are not only a source of hope, but a driving force of our economy, so for the last 50 years, HUD’s mission has focused on issues of affordable housing, responsible home ownership, tackling homelessness, and contributing to economic development. In order for HUD to achieve its program goals, its operations must be efficient, effective, and serve customer needs. Nani Coloretti, Deputy Secretary, U.S. Department of Housing and Urban Development, joined me on The Business of Government Hour to discuss the key strategic priorities for HUD, how HUD is positioning itself as the Department of Opportunity, and what the department is doing to improve its operational performance. The following is an edited excerpt of our discussion, complemented with additional research.*

— Michael J. Keegan

## On the History and Mission of HUD

The department’s mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. As you noted, it was established in September 1965 in the midst of unrest occurring in cities throughout the nation. The Housing and Urban Development Act of 1965 granted HUD new authorities and consolidated the work of several government agencies, including the Federal Housing Administration and now-defunct entities such as the Public Housing Administration.

Beginning in 1968, our department began enforcement of the Fair Housing Act, which prohibits housing discrimination based on factors such as race, religion, gender, disability, and family status. Since 1974 our Community Development Block Grant (CDBG) Program has awarded more than \$144



billion to state and local governments for the rehabilitation of affordable housing, the construction of public facilities, and the creation of job growth and business opportunities. Since the passage of the Stewart B. McKinney Act in 1987, HUD has given over \$14 billion to thousands of local partners that combat homelessness. In the last 20 years alone, HUD has provided public housing and rental assistance to more than 35 million people, including support for the elderly and disabled.

During the last 10 years, in the aftermath of Hurricane Katrina, we’ve begun to play a larger role in helping communities recover from natural disasters and build more resilient infrastructure. And under then-Secretary Shaun Donovan, HUD played a huge role in supporting the housing market during the Great Recession, and providing access to credit when others were unwilling.

## On Managing the Operations of HUD

As the HUD Deputy Secretary, I help the department achieve its mission by focusing on effective operations and cross-cutting policy and program issues. For example, I am working to build a stronger HUD, which means structuring the agency to address its most pressing needs in a time of declining administrative resources. The entire agency reports up to the secretary through me. Let me give you a sense of the scale and operation of the department.

HUD is organized into several broad program areas to provide housing and to use housing as a platform for opportunity. Our main program areas are:

- **The Federal Housing Administration**, which has insured 40 million loans since its inception and also ensures access to credit;
- **Public and Indian Housing**, which funds public housing and also housing choice vouchers that allow people to live in different parts of the community;
- **Community Planning and Development**, which provides funding to communities for a variety of community-driven solutions to improve housing, reduce homelessness, and to expand economic opportunities for low and moderate income persons; and
- **The Fair Housing and Equal Opportunity program**, which works to eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the nation in the enforcement, administration, development, and public understanding of federal fair housing policies and laws.

HUD's budget is approximately \$46 billion. Over 85 percent of our total budget is needed to renew rental assistance to 5.5 million Americans who live in federally subsidized housing. We have about 8,000 employees spread across 10 regional and 54 field offices located in all 50 states, Puerto Rico, and the District of Columbia.

## On Challenges

The top two challenges are sustaining great work and results while working under a constrained budget that will not be getting better in the near future. This means that everyone will continue to be asked to do more with less.

Another challenge at HUD is the persistent low morale, as measured by the Federal Employee Viewpoint Survey (the EVS). To address all of these, I worked with staff to conduct



a review of the agency with its employees—something we called “the Deep Dive”—which I can talk about later in the hour. From the Deep Dive, the top three areas I’m focusing on now are:

- promoting leadership and increasing collaboration,
- increasing accountability and customer service, and
- improving resource management.

For each of these areas, we have put together a set of projects, or workstreams, that together with staff, I believe can help improve HUD's current challenges. For example, in improving leadership and engagement we are focusing on SES and manager leadership, engagement and accountability, and succession planning. In order to improve customer service, we are looking at a customer relations management project that will help HUD become more responsive. Finally, to improve resource management, we established quarterly management reviews that will help us track operational goals and resources toward those goals.

At the same time, Secretary Castro and I worked on improving the response rate for this year's EVS, and we set a goal to increase our participation from 51 percent to 75 percent. This would be a large increase and hard to achieve. But through many meetings I conducted with every region, I explained the importance of this: we can't work to improve morale unless we are certain we are solving the right problem. With such a low participation rate, it





was difficult to attribute the results as representative, and it also concerned me that only half the employees at HUD responded to this survey.

Two things happened:

- HUD rose to the challenge and our response rate was 73.5 percent—the largest increase of any cabinet agency.
- The scores went up on almost all of the questions—69 out of 71 questions.

Normally, a 2 percentage point increase is a major shift, but at HUD our average EVS score increased nearly 5 percentage points. The questions that contribute to overall employee satisfaction increased the most, at 7.4 percentage points.

There is definitely more work to be done, but these results were encouraging. HUD does actually either meet or exceed the federal average on many of the questions, but on others we're still way below, even though we went up.

### **On the “Department of Opportunity” Agenda**

Just to provide context, Secretary Castro refers to HUD as “The Department of Opportunity” because of the unique impact it can make on people’s lives. When Secretary Castro arrived at HUD he distilled his opportunity agenda into six goals which I’ll outline. I will also tell you about our agency priority goals. They are the goals tracked on performance.gov, giving you a sense of what we are looking at and monitoring quarterly.

Here are the six main goals to reach our vision:

1. Help families and individuals secure quality housing by promoting responsible homeownership and expanding our affordable rental markets.
2. Lead the fight to end veterans’ and chronic homelessness.

3. Level the playing field for Americans from all walks of life by fighting housing discrimination.
4. Strengthen rural, tribal, and urban communities through our place-based initiatives.
5. Address climate change by preparing communities for extreme weather and other disasters, and strengthening their economic and environmental resilience.
6. Build a stronger HUD by improving leadership, accountability and transparency, and by focusing on better resource management.

That sixth goal is my favorite goal because if we build a stronger HUD by improving leadership, accountability, transparency, and focusing on better resource management, then we’ll be better prepared to successfully achieve the other five goals.

Our agency priority goals help realize some of this, and we track these at least quarterly. Our current goals are:

- preserve and expand affordable rental housing through HUD rental housing programs,
- end veterans’ homelessness, and
- increase the energy efficiency and health of the nation’s housing stock.

### **On Tackling the Affordable Housing Crisis**

In urban markets in particular, you just have sky rocketing rent. It’s an economic problem. There is not enough supply and too much demand. Our nation is in the midst of an affordable housing crisis: HUD estimates that almost 8 million low-income families spend more than half their income on rent, live in substandard rental housing, or both. That’s why we’re taking steps to support and expand our affordable rental market.

“The top two challenges are sustaining great work and results while working under a constrained budget that will not be getting better in the near future. This means that everyone will continue to be asked to do more with less.”

— Nani Coloretti



We’re working with the OMB, the Treasury, and the Federal Housing Finance Agency to stand-up the National Housing Trust Fund, which will generate hundreds of millions of dollars toward creating and developing rental housing for low-income families. We recently published an interim rule about the Fund earlier this year, and we hope that grantees will begin receiving allocations as soon as the summer of 2016.

To streamline, we are working on an updated draft of FHA’s Multifamily Accelerated Processing Guide—also known as the MAP guide—which serves as the operating handbook for multifamily underwriting. It compiles HUD’s recent policy changes into a single source and proposes new improvements for public discussion. The completed guide will provide lenders with the clarity they need to get credit flowing into the market.

We’re also streamlining the way we do business through our “Multifamily for Tomorrow” project, which will reduce

waiting times for approving FHA applications and allow developers to build at a faster pace.

Finally, we have asked for additional funding for the HOME Investment Partnerships Program (HOME), which provides formula grants to states and localities that communities use—often in partnership with local nonprofit groups—to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME funds have helped build affordable housing units in big cities, small towns, and rural communities alike. HOME funds provide financing for a variety of housing-related projects, including critical affordable rental and home ownership housing, and housing for the homeless.

There are buildings in the District of Columbia that have used that funding stream and fared successfully. For FY16, the fiscal year that starts October 1, we had a proposal and the senate bill cut that by 93 percent. They really took a hammer to it. The 93 percent reduction to HOME funds would leave most jurisdictions with no funds to build any significant amount of housing units, and it would hamper our ability to end homelessness and provide housing supports. It’s such a big cut that certain communities won’t be able to use the grant because you need a certain amount of money just to get a unit or a building financed. That is one area we’re keeping an eye on in hopes that some of that money will come back for localities.

### On Housing as a Platform to Improve Outcomes

There are specific ways to use housing as a platform to improve outcomes. HUD’s Office of Healthy Homes announced that it will provide nearly \$102 million to 32 local and state agencies. This funding will help our partners on the ground eliminate lead-based paint and other



President Lyndon Johnson shakes hands with HUD Secretary Robert Weaver after signing the Housing and Urban Development Act. The legislation expanded federal housing programs and provided rent subsidies for the elderly and disabled; housing grants to poor homeowners; and provisions for veterans mortgages. Aug. 10, 1965.



“As the HUD Deputy Secretary, I help the department achieve its mission by focusing on effective operations and cross-cutting policy and program issues... if we build a stronger HUD by improving leadership, accountability, transparency, and focusing on better resource management, then we’ll be better prepared to successfully achieve [our strategic goals].”



household hazards such as mold and carbon dioxide for over 6,000 households. Our work will help parents and students spend more time at the office and in the classroom, and less time in a doctor's waiting room. We also know that stable housing, made possible with HUD support, provides an ideal platform for delivering a wide variety of health and social services to improve health, education, and economic outcomes. Through partnerships at the federal, state, and local levels, HUD uses its housing platform to deliver a wide variety of services to improve the quality of life of its residents and the surrounding community. We are working to find ways to connect residents of HUD-supported housing to affordable health insurance. We are working with our partners at the Centers for Medicare and Medicaid Services (CMS) at HHS to better align housing with the health care services that can be paid for by Medicaid. Comprehensive health services are an important component of permanent supportive housing—the game-changing intervention that has been proven to work for people experiencing chronic homelessness.

### On Efforts to End Homelessness

Five years ago President Obama introduced Opening Doors, a comprehensive strategy for ending veteran homelessness that involves 19 federal agencies—including HUD, the VA, and the Department of Labor. We're making tremendous strides thus far. Earlier this year New Orleans became the first major city in the U.S. to meet the Mayors Challenge to end veteran homelessness. And this past June, Houston announced that it can now provide every homeless veteran within its community with access to permanent housing and crucial support services. HUD and its partners are using proven strategies to tackle this challenge. These solutions include obtaining accurate data on individuals facing homelessness within a particular community, creating a single system that ensures everyone receives consistent access and information on available services, providing permanent supportive housing to the chronically homeless, and connecting people to job training and employment opportunities. This can happen because we are using data to drive results. We track how well we're doing toward these goals in what we call HUDStat, which is a quarterly review of our performance progress. We invite our strategic partners, such as the Department of Veterans Affairs, to delve into the numbers and assess how are we doing to meet our goals and really explore what is happening beneath the numbers. We're using data to guide our policy decisions.

The key to building upon this work is fostering collaboration between local government, community leaders, and federal partners. This includes improving coordination and communications between every stakeholder, and asking folks to



Victory Place Phase III added 75 additional units of permanent housing with support services for homeless and formerly homeless veterans aged 55 and older, and it features 15 project-based Department of Housing and Urban Development Veterans Affairs Supportive Housing (HUD VASH) Vouchers. These vouchers are used to serve the most vulnerable homeless veterans in our community, ensuring that no veteran is left behind.

emphasize the importance of securing permanent housing. That's the best way we can meet the administration's goal to prevent and end homelessness among children, families, and youth by the year 2020.

### On the Future

We're now preparing HUD for our next 50 years. Since Secretary Castro assumed his position, we've accomplished a lot, including supporting responsible and affordable homeownership by lowering FHA's Mortgage Insurance Premiums; combating housing segregation through the Affirmatively Furthering Fair Housing rule; and expanding opportunity for future generations through innovative initiatives like ConnectHome, which aims to accelerate broadband adoption by children and families living in HUD-assisted public housing in 28 communities across the nation. ■

To learn more about the U.S. Department of Housing and Urban Development, go to [www.hud.gov](http://www.hud.gov).



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# Programming and Resourcing Tomorrow's Army Today: A Conversation with Major General John Ferrari, Director, Program Analysis and Evaluation Office, Deputy Chief of Staff (G8), U.S. Dept. of the Army

*The U.S. Army stands at a pivotal point in history, challenged to reshape its force into one that is leaner, yet more capable of meeting national defense priorities. As the Army shapes a force focused on meeting the nation's strategic land power requirements in an uncertain strategic environment, the reality of current and potential budget reductions continues to challenge the optimal path for balancing the requirements of a ready and modern Army.*

*The Army's approach to budget reductions is to resource near-term readiness under affordability constraints. Guided by the Secretary of the Army's priority for balance and transition, several decisions are leading to change that will sustain land power in new ways, expending fewer resources. The Army's deputy chief of staff, G-8, and its Program Analysis and Evaluation Office play an integral role in shaping the Army's plans for adapting to an increasingly uncertain environment while remaining the most professional and proficient land force in the world.*

*Major General John Ferrari, Director, Program Analysis and Evaluation, Office of the U.S. Army's deputy chief of staff, G-8, joined me on The Business of Government Hour to discuss the mission of his office, the U.S. Army's key strategic and operational objectives, how the Army is restructuring its aviation portfolio, and much more. — Michael J. Keegan*

## On Developing Programs and Defining Missions

The U.S. Army's Office of the Deputy Chief of Staff, G-8, is military-speak for structure, modernization, and resources. It oversees the resourcing and modernization of the equipment in the Army, our combat weapon systems, and platforms. It does warfighting assessments and analysis. We have an organization at Fort Belvoir that performs this function. Next is the part of the G-8 that I work for, which is called Programs Analysis and Evaluation; this is really about the intersection of resources, policy, and strategy. Basically, we take the Army's budget and parse it out. My area also works to build and explain the Army's program. Each year we look five years out and allocate resources among manpower, modernization, and readiness.



My mission and function is to help the Army and its leadership to build that program, submit it to the Secretary of Defense, and then undergo a several-month review. We have two other functions; one is PA&E, which holds the authoritative resource database that supports program and budget development. My third mission is to provide Army leadership with an independent assessment of the program. We synchronize the program, but then we also provide an independent assessment of the staff priorities and their costs.

The political leadership sets the mission for the department through the defense strategic planning guidance. They tell us our priorities and the level of resources available to us over the next few years. More often, it turns out that our budget is never quite what is needed to do the missions that have been assigned. We work with Army leadership to identify the best use of resources relative to defined priorities. In the end, you have to understand the interaction between

the laws of physics and getting things done, the money, and the mission.

Just to reiterate, our core functions are to:

- build and explain the Army program and Future Years Defense Program (FYDP),
- assess, integrate, and synchronize the program,
- develop and maintain the Army's authoritative resource position database, and
- coordinate programming and budgeting phases to ensure an effective transition to the Army budget.

### On Challenges

The biggest challenge we face is fiscal uncertainty. Managing the budget realities is very difficult on a year-to-year basis because like any organization, you need a reasonable level of certainty in the funding levels in order to make long-term decisions.

The second challenge involves the uncertainty in the world today and the changing threat environment. We have missions and the resources to meet them, and even though the resources are uncertain, so are the missions. For instance, about 12 to 18 months ago when the defense strategy was set, there were many assumptions made. We were going to focus our resources and our troops in the Pacific. Now, there is ISIS, the Russians in the Ukraine, and Crimea. Today, the United States Army would have eight of its 10 division headquarters engaged around the world. We've had troops going to Africa to deal with the Ebola outbreak, which we hadn't anticipated. There is uncertainty in the mission and how you allocate the resources therein. This is our reality and it's a challenge: how do you take the uncertainty in the mission, the uncertainty in the money, and make long-term decisions? We're making decisions on weapon programs that are 10 or more years out, stationing forces, force mix and training, and ultimately it is our job to help senior leadership to balance them all ... accept the uncertainty, anticipate the surprises, and use finite resources as efficiently and effectively as possible.

### On the U.S. Army Operating Concept: Winning in a Complex World

One of our most important duties as Army professionals is to think clearly about the problem of future armed conflict. That is because our vision of the future must drive change to ensure that Army forces are prepared to prevent conflict, shape the security environment, and win wars. In December 2014, the Army Operating Concept (AOC) was released. It describes how future Army forces will prevent conflict, shape security environments, and win wars while operating as part of our Joint Force and working with multiple partners.



Just a quick history lesson: if you think back to the '80s during the Cold War when I came in, we had what was called the Air/Land Battle Doctrine, which was really focused on defeating the Soviet threat in case of an attack. It was a large mass army, hundreds of thousands lined up from the north of Germany to the south, ready to defend against the Soviet threat. What we then went to in the 2000s with the operations in Iraq and Afghanistan was different, but similar in that we put a large part of the Army into one country. However, instead of operating as a very large unit to defend a very large nation state attack, the Army was operating in a very decentralized manner against a more insurgent type threat, but it was still 150,000 people in one country focused on a single mission, operating decentralized and in small units rather than a large unit.

The AOC guides future force development by identifying first-order capabilities that the Army needs to support U.S. policy objectives. It provides the intellectual foundation and framework for learning and for applying what we learn to future force development. The purpose of the Army Operating Concept is to ask big questions, not focus on small answers. This concept focuses on three big questions: what level of war is the concept going to address, what is the environment we think Army forces will operate in, and what is the problem we are trying to solve? It is our mission to be ready for those unknown contingencies.

### On Informing Army Senior Leadership Decision Making

Our job is to provide senior leadership with the best possible information, so that they can make the best



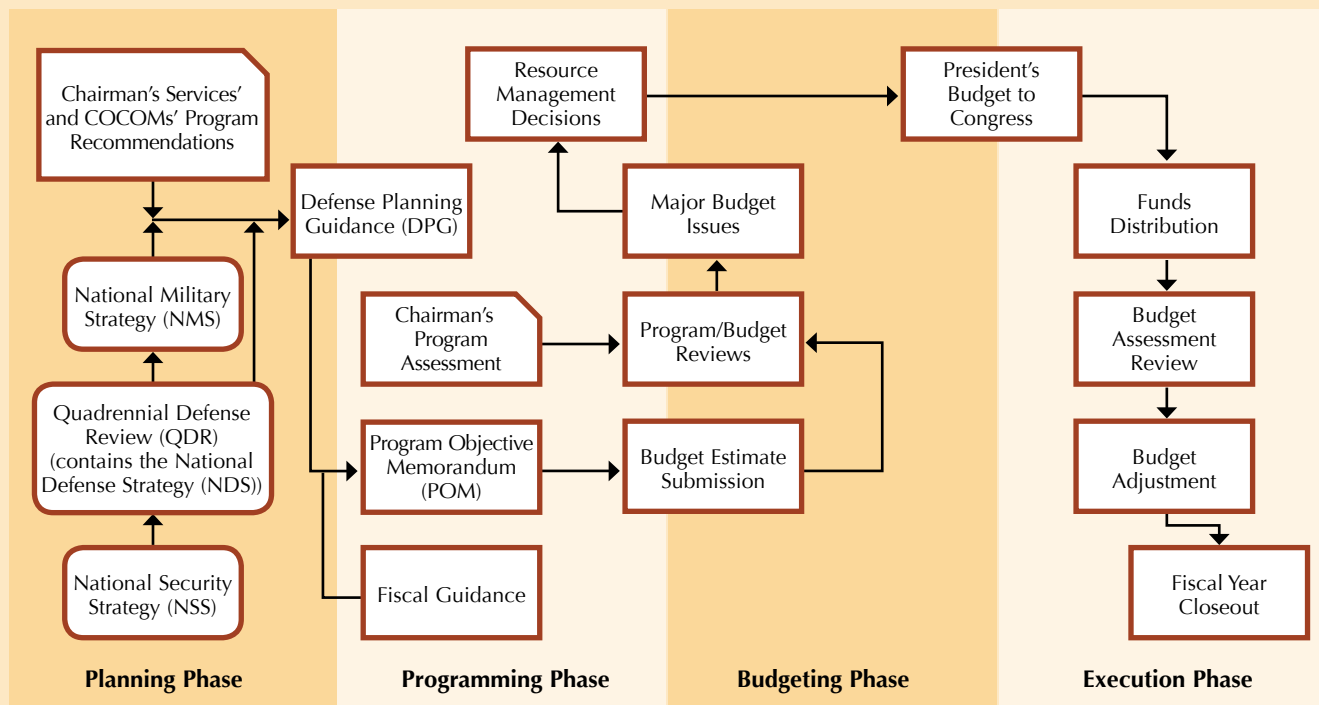
possible decision. I wouldn't be able to do this without talented people. You need people with a wide range of skill sets who can think analytically, understand how to use data, and how resourcing and politics work, or you won't get to an answer.

We also have a number of different quantitative and qualitative tools at our disposal. These tools and our talent come together to look at the challenges and the mission sets. We work to understand and decompose the problems faced into actionable decisions. We boil down the problems faced to

a key set of issues. We're then able to take data, either war-gaming analysis, data from the resourcing database, or readiness data, and marry together the relevant information for the related decision. Doing this provides senior leadership with the best available information that can inform their decision-making process across a wide array of programs.

To illustrate further, we look across three broad portfolios and try to seek balance. The first portfolio is manpower. The Army is different than the other services in that other services man their equipment. In the Army, we equip our

### DoD Army PPBE Executive Overview



### The PPBE process consists of four (4) distinct but overlapping phases:

- 1. Planning:** The Planning phase of the PPBE Process is the definition and examination of alternative strategies—the analysis of changing conditions and trends, threat, technology, and economic assessments in conjunction with efforts to understand both change and the long-term implications of current choices.
- 2. Programming:** The Programming phase of the PPBE process defines and analyzes alternative force structures, weapon systems, and support systems together with their multi-year resource implications and the evaluation of various tradeoff options.
- 3. Budgeting:** The Budgeting phase of the PPBE process includes formulation, justification, execution, and control of the budget. The primary purpose is to scrutinize the first one or two years of a program's budget to ensure efficient use of resources.
- 4. Execution:** The Execution phase of the PPBE process is the real world application of the Planning, Programming, Budgeting and Execution process.

“The biggest challenge we face is fiscal uncertainty. Managing the budget realities is very difficult on a year-to-year basis because like any organization, you need a reasonable level of certainty in the funding levels in order to make long-term decisions.”

— Major General John Ferrari



manpower, so the Army is people. We are soldiers; soldiers supported by a civilian workforce that organizes, trains, and enables it to go out and conduct operations. Generally, the initial step is to figure out what structure the Army needs to accomplish its missions and how many people it will take. Manpower takes up roughly half of the Army's budget. Once the force structure is defined, then capabilities, modernization efforts, and types of equipment needed to meet the missions are determined. We also need to manage the investment portfolio. The investment portfolio makes up—depending upon the budget cycle—roughly 18 percent to 22 percent of our budget. The other 30 percent of the budget goes toward readiness funding. This includes everything from training to education to the logistics that are needed to support the force and the installations needed to conduct operations.

In PA&E, the analysis we conduct always tries to find the balance and explores what balance even means. For example, Army leadership made decisions based on one proposed budget number, but now needs to respond to a 20 percent budget reduction from that original number. This reality presents significant challenges and requires serious

trade-offs and the balancing of risks, posing such questions as, do we take away from readiness or modernization?

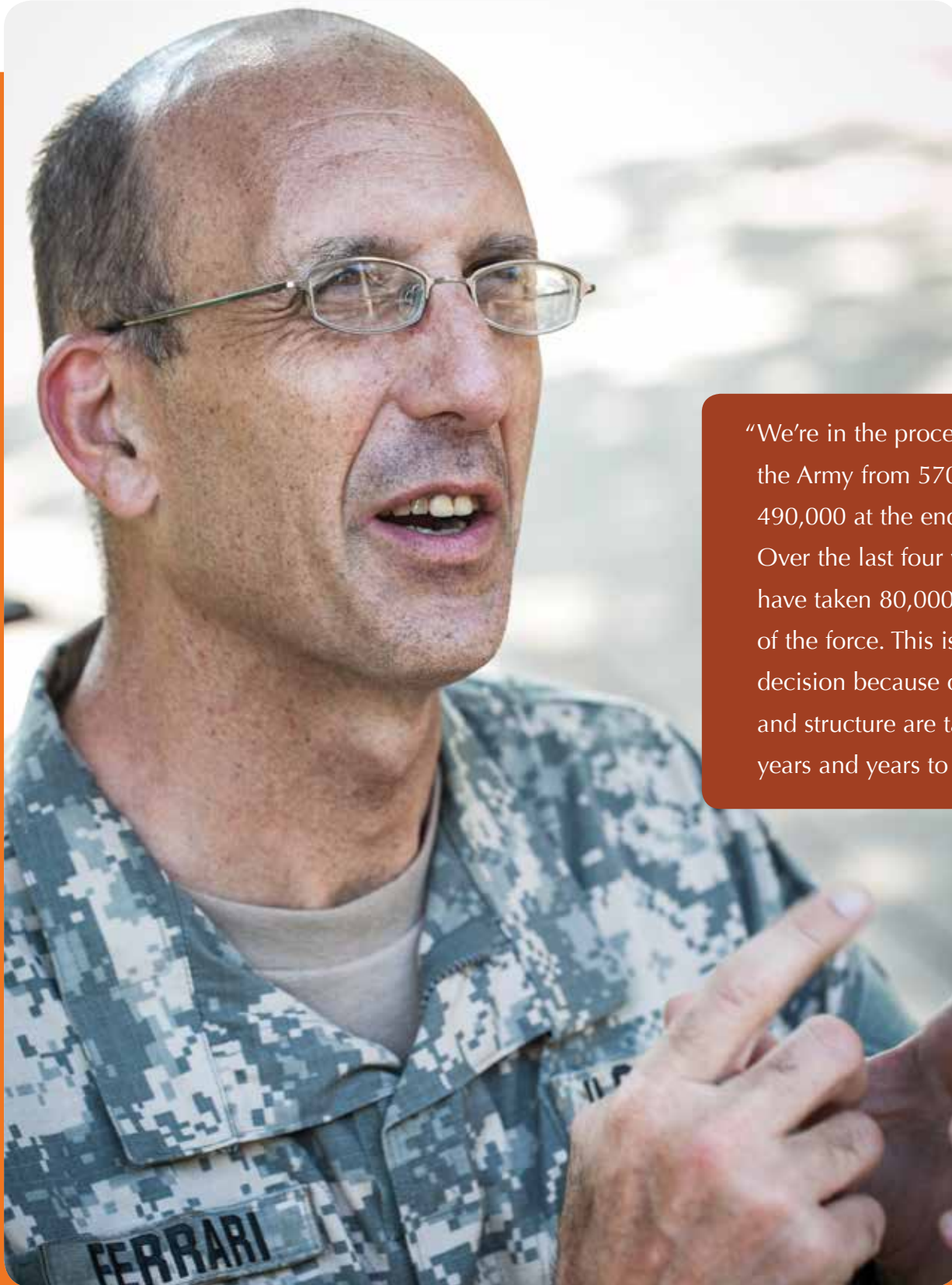
We're in the process of shrinking the Army from 570,000 down to 490,000 at the end of this year. Over the last four years, we will have taken 80,000 soldiers out of the force. This is a long-term decision because once manpower and structure are taken out, it takes years and years to build them back. That said, we need to avoid becoming a “hollow” Army; that means not getting a phone call from the president that says he has to put a soldier in harm's way and that soldier hasn't been properly trained or hasn't been properly equipped, or we put soldiers in and we don't have enough of them. We can't get this wrong because we recognize that the soldier pays the price.

### **On Planning, Programming, Budget, and Execution**

Former Secretary of Defense Robert McNamara established the DoD Planning, Programming, and Budgeting System (PPBS). Though often a maligned process, it has survived for a very long time because it does what it's supposed to do: it crafts a long-term planning horizon.

In theory, the planning phase gets it done and hands it to the programming phase, where I sit. It is our job to take the resources we have and marry them with specific programs. Many hard decisions and trade-offs are made during the programming phase of the Planning, Programming, Budget, and Execution (PPBE) process. From September to December, it is always an interesting time at the Pentagon because of program review. It is during these reviews when programs either get money or don't. Once that phase is complete, we then make the transition to the budget phase when the DOD comptroller gets the program and incorporates it as part of the department's overall budget. The president submits the overall budget and our budget determination is appropriated by Congress. Once the appropriation is done by Congress, it comes back to DOD and enters the execution phase of the process. This is the real-world application of the PPBE





“We’re in the process of shrinking the Army from 570,000 down to 490,000 at the end of this year. Over the last four years, we will have taken 80,000 soldiers out of the force. This is a long-term decision because once manpower and structure are taken out, it takes years and years to build it back.”



process. It matches planned programs with actual resources, measures performance, and provides feedback for more efficient and effective future execution.

What makes this process a four-dimensional chessboard is that today we're doing planning for what we call Program Objective Memorandum (POM) 18, which forecasts for 2018 to 2022. While we're planning for POM 18, we're building POM 17, which contemplates 2017 to 2021. At the same time we're doing that, we're in the budget phase for POM 2016, so we're on Capitol Hill talking about what we want to do in 2016. At the same time we're doing that, we're executing the FY 2015 budget. When you lay out the PPBE, it looks like it runs sequentially, but it actually runs stacked and synchronized. It can be confusing, because you're programming against the planning that was done last year, not the planning that is being done this year, which is for the program for next year. It makes it difficult. The PPBE allows for long-term forecasting; it affords the ability to connect budgetary decision-making with strategic outcomes. It allows visualizing trade-off options as needs and costs are considered simultaneously.

### On the Army Program Objective Memorandum

The Program Objective Memorandum is the primary document used by the services to submit programming proposals. The POM includes an analysis of missions, objectives, alternative methods to accomplish objectives, and allocation of resources. It presents planned activities and the personnel and obligation authority required over a five-year period to build, operate, and maintain the proposed program.

POM is one of these great government acronyms that nobody outside of government would recognize. It considers resourcing decisions that align strategy and policies to actions. It looks five years into the future, but it also looks beyond. It takes the programs, manpower, and weapons systems and it makes sure the service can live within the fiscal constraints that it faces. We then subject it to war games and scenario development to see if the force we're building for 2020 and 2025 can actually accomplish the anticipated missions. It's a very complex undertaking that's integral to the entire planning, programming, and budgeting process.

In summary, Army funding has decreased significantly since 2012 and future program funding carries significant risk, due to reforms and inflation. The proportion of Army funding going to the reserve components has been increasing over the past 15 years. Manpower continues to decline, since 2001 (Regular Army end strength has declined by 6 percent). As Army capacity is reduced, maintaining a high state of readiness is



imperative. Reduced funding will make it difficult to begin new programs. The Army continues to balance resources across the total force to achieve the required outcomes; there is limited flexibility to rebalance across components.

### On Surprises

What I think has surprised me the most is that we've gone this long without a resolution to the fiscal environment in the country and the deficit dealing with that. I think that early on, if everybody just remembers back to 2013, we went through the furloughs and then we went through the government shutdown and I think that everybody anticipated we would have to go through that, but we would come out the other end with certainty of the fiscal situation because to some extent, you can't predict the certainty of the world.

The fiscal uncertainty as a nation, we do control. So it is a surprise that it has lasted this long and there doesn't appear to be a path in the next couple years to solve it, so we'll be making multi-year decisions with a year-by-year thought process on how to do it. ■

To learn more about the U.S Army's Program Analysis and Evaluation Office (G8), go to [www.g8.army.mil/organization/program\\_analysis\\_and\\_evaluation/](http://www.g8.army.mil/organization/program_analysis_and_evaluation/).



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## Leading a Unity of Effort: A Conversation with Alejandro Mayorkas, Deputy Secretary, U.S. Department of Homeland Security

*Since its inception, the U.S. Department of Homeland Security has undertaken numerous reviews and reorganizations in an ongoing effort to increase the department's efficiency and effectiveness in managing its wide-ranging, complex set of missions. In April 2014, Secretary of Homeland Security Jeh Johnson directed DHS leadership to make several key changes to "transparently incorporate DHS Components into unified processes and the analytic efforts that inform decision making." The secretary indicated that the overarching goal of this new effort is two-fold: to deepen understanding of the DHS mission space and to empower the department's components to effectively execute its operations. Over the last year, DHS has pursued this unity of effort against the backdrop of challenges such as tightening budgets, low morale, and complex oversight structures. Alejandro Mayorkas, deputy secretary, U.S. Department of Homeland Security, joined me on The Business of Government Hour to discuss such topics as the department's key strategic priorities, the challenges it faces, how the DHS "Unity of Effort" initiative is going, and what DHS is doing to improve its operational performance. The following is an edited excerpt of our discussion, complemented with additional research. – Michael J. Keegan*

### On the DHS Mission

The homeland security vision is a homeland that is safe, secure, and resilient against terrorism and other hazards, where American interests, aspirations, and way of life can thrive. This requires the dedication of more than 240,000 employees in jobs that range from aviation and border security to emergency response, from cybersecurity analysis to chemical facility inspections. Our duties are wide-ranging, but our goal is clear—keeping America safe. It is an important and dynamic mission that is constantly evolving as the threats, both natural and manmade, evolve constantly.

Simply put, the mission of the department is to keep the homeland safe—to ensure the security of our residents as well as the security of our values. I underscore that last point because what I've learned in the role of the deputy secretary



is that we are the only department that has a statutorily provided independent office of civil rights and civil liberties and an office of privacy. Given our critical missions set, the importance of these offices cannot be overstated.

### On Strategic Priorities

The second Quadrennial Homeland Security Review (QHSR) was released in 2014. We concluded that we will continue to adhere to the five basic homeland security missions set forth in the first QHSR report of 2010, but these missions must be refined to reflect the evolving landscape of homeland security threats and hazards:

1. Prevent Terrorism and Enhance Security
2. Secure and Manage our Borders
3. Enforce and Administer Our Immigration Laws

#### 4. Safeguard and Secure Cyberspace

## 5. Strengthen National Preparedness and Resilience

We must constantly learn from them and adapt. I'd like to offer a few examples. The terrorist threat is increasingly decentralized and may be harder to detect. To an increasing degree, we are focusing our attention on the homegrown violent extremist; that by using social media, ISIL can motivate individuals here in the U.S. to take action.

The other example is that cyber threats are growing and pose ever-greater concern to our critical infrastructure systems as they become increasingly interdependent. The interplay between cyber security and our critical infrastructure—the interdependency—is constantly evolving and we’ve had to shape our cyberstrategy and protection of critical infrastructure accordingly.

While the 2014 QHSR focused on our shared responsibilities with partners across the federal, state, local, tribal, and territorial governments; the private sector; and other nongovernmental organizations, the FY14-18 Strategic Plan focuses on how we accomplish our mission as a department. Accomplishing these missions requires unity of effort, across every area of DHS activity and among the numerous homeland security partners and stakeholders.

## On Challenges

My first challenge involves the success of the “Unity of Effort” initiative across the department. It is our goal to bring a singular focus of expertise and resources from across the department in the most efficient manner to ensure that we achieve our varied missions most effectively. We want to do this while being careful stewards of the public trust. We’ve seen tremendous strides under the secretary’s leadership.

I would like to highlight a compelling example of this effort represented by the Southern Border Campaign, where we've taken all of the different assets of the department that have traditionally or historically been devoted to border security and all of its ancillary concerns and brought them to bear in a more unified and cohesive fashion than ever before. We are coordinating the efforts of Customs and Border Protection alongside but separate from the United States Coast Guard, alongside but separate from Immigration and Customs Enforcement, and so on. I think the impact of such an initiative will be far greater and the proper allocation of resources will be far more effective. This is truly a transformational effort.



Another significant challenge in managing the department is the constant need to do more with less, given today's federal budget environment. We are also working regularly with the Government Accountability Office (GAO) to address the department's presence on GAO's High Risk List. Upon its creation in 2003, DHS was immediately placed on the GAO High Risk List because of the challenge of bringing together 22 disparate federal entities into a single department. This specific effort presents as many challenges as opportunities.

## On the Unity of Effort Initiative

The department has many strengths. The Unity of Effort initiative capitalizes on these strengths while identifying ways to enhance the cohesion of the department as a whole. The department will accomplish this not by centralizing the decision-making authority and processes within an opaque DHS Headquarters, but rather by transparently incorporating DHS components into unified processes and the analytic efforts that inform decision making.

As I described, this effort draws upon the resources and focus of different parts of the department and ensures that those different entities are working in coordination with one another in a unified way to address that single-mission challenge.

We will focus initially on four main lines of effort to improve our planning, programming, budgeting and execution processes:



- Inclusive senior leader discussion- and decision-making forums that provide an environment of trust and transparency;
- Strengthened management processes for investment, including requirements, budget, and acquisition processes that look at cross-cutting issues across the department;
- Focused, collaborative departmental strategy, planning, and analytic capability that support more effective DHS-wide decision making and operations; and
- Enhanced coordinated operations to harness the significant resources of the department more effectively.

My role is to help oversee this effort along with my DHS component partners. We meet regularly to make sure that we are, in fact, unifying our efforts. I mentioned earlier the Southern Border Campaign as a good unity-of-effort example. Here's another example using the department's aviation resources. The Coast Guard and Customs and Border Protection have aviation resource needs. We have looked at the interplay of those resources both in terms of the requirements, and in their use and deployment. Have we analyzed whether they can merge their purchasing processes, their requirements development processes, and perhaps even their deployment processes? We're taking a look to make sure that when we buy an aircraft, we inform decision-makers, so the most useful tool is to identify needs across the department and not simply be component specific. If executed properly, the Unity of Effort Initiative will provide the department with better understanding of the broad and complex DHS mission space and support the effective execution of our missions.

### On Strengthening the Department of Homeland Security Management Functions

The GAO designated implementing and transforming the DHS as high-risk because DHS had to transform 22 agencies—several with major management challenges—into one department. To provide context, management functions include information technology (IT), acquisition, financial, and human capital. I became very, very involved in addressing the GAO high-risk items because of their critical nature to the development of our department. I met with our team. I looked at our timelines and the first question I asked was, how can these timelines be accelerated because we're talking about matters that are not only high-risk but critical in nature? Our team doubled down and we accelerated quite a number of our timelines. We worked very closely with GAO to address the challenges. It requires significant investment and a close partnership with GAO. We've enjoyed all of the above.



Over the past 12 years, the focus of this high-risk area has evolved in tandem with DHS's maturation and evolution. GAO recognized us as a model in addressing the high-risk challenges. That was articulated expressly in its last report and we're very proud of that. We could not do it without the tremendous work of our people, and quite frankly, without the tremendous leadership in GAO, specifically, Comptroller General Gene Dodaro and the overseer of our portfolio, George Scott. They are tremendous partners. They hold our feet to the fire with respect to the challenges, but they call balls and strikes with respect to the work that we're doing effectively. Our efforts to strengthen and integrate its acquisition, IT, financial, and human capital management functions have resulted in progress addressing the criteria for removal from the high-risk list. In particular, according to the latest report, the department has met two criteria: leadership commitment and a corrective action plan; it (partially met) the remaining three criteria: capacity, a framework to monitor progress, and demonstrated, sustained progress.

We have made important progress in strengthening our management functions, but the department needs to demonstrate sustainable, measurable progress in addressing key challenges that remain within and across these functions.

### On Research and Development

Technology and homeland security are inextricably linked. A vast array of interdependent information technology networks, systems, services, and resources enable communication, facilitate travel, power our homes, run our economy and provide essential government services. These systems provide

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— Alejandro Mayorkas



enormous benefits to our society and economy, but they also create new risks and vulnerabilities. DHS must endeavor to keep pace with technology and leverage research and development toward homeland security goals.

Under Secretary for Science and Technology at the U.S. Department of Homeland Security, Dr. Reggie Brothers, is really moving forward in assessing our research and development efforts, and our use and deployment of technology, to make sure that these efforts are closely tied to the department’s operational needs. Dr. Brothers is bringing great rigor to making sure that our operational plans and our operational needs and tempo are synched with the department’s Research & Development efforts. He is also working more closely with the private sector. He comes from the U.S. Department of Defense where the R&D machinery is much more mature than at DHS, so he’s bringing that confidence and experience to DHS.

Our ultimate goal in this area is to employ scientific study to understand homeland security threats and vulnerabilities by pursuing a research and development strategy that is operationally focused, highly innovative, and founded on building partnerships among operators, scientists, and engineers, and by providing operational support.

### On Partnerships

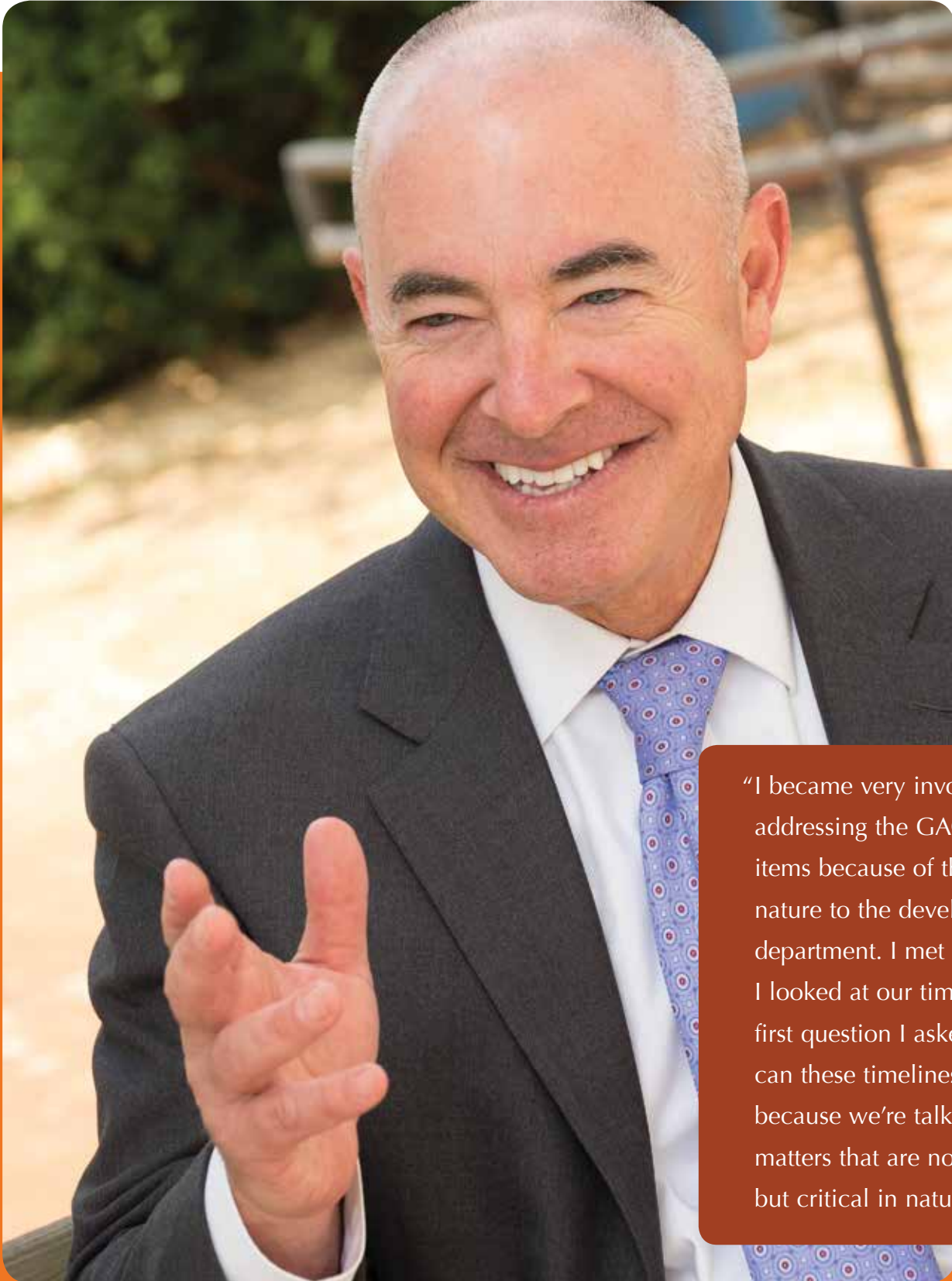
Homeland security is achieved through a shared effort among all partners, from corporations to nonprofits and families. Together, we can harness common interests to achieve solutions beyond what any of us could do alone. Recent events, including the 2010 Deepwater Horizon oil spill and Hurricane Sandy, highlight the fundamentally important relationship that DHS must foster and sustain with the private sector as well as state, local, tribal, territorial, and international partners. In addition, rapidly evolving or emerging operating domains such as cyberspace and the Arctic are demanding new approaches and models for how DHS partners to achieve homeland security objectives.

### Prevailing Challenges that Pose the Most Strategically Significant Risk

The threats, hazards, trends, and other dynamics reflected in the drivers of change suggest several prevailing strategic challenges that will drive risk over the next five years:

- The terrorist threat is evolving and, while changing in shape, remains significant as attack planning and operations become more decentralized. The United States and its interests, particularly in the transportation sector, remain persistent targets.
- Growing cyber threats are significantly increasing risks to critical infrastructure and to the greater U.S. economy.
- Biological concerns as a whole, including bioterrorism, pandemics, foreign animal diseases, and other agricultural concerns, endure as a top homeland security risk because of both potential likelihood and impacts.
- Nuclear terrorism through the introduction and use of an improvised nuclear device, while unlikely, remains an enduring risk because of its potential consequences.
- Transnational criminal organizations are increasing in strength and capability, driving risk in counterfeit goods, human trafficking, illicit drugs, and other illegal flows of people and goods.
- Natural hazards are becoming more costly to address, with increasingly variable consequences due, in part, to drivers such as climate change and interdependent and aging infrastructure.
- Beyond these specific strategic challenges, factors such as technology and migration present both opportunities and challenges for the homeland security community.

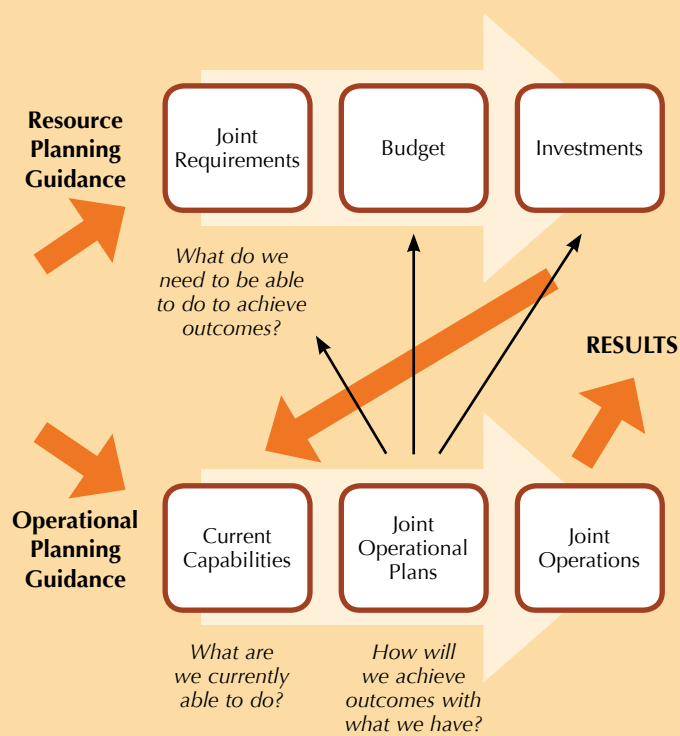
*Source: The 2014 Quadrennial Homeland Security Review, p.28*



“I became very involved in addressing the GAO high-risk items because of their critical nature to the development of our department. I met with our team. I looked at our timelines and the first question I asked was, how can these timelines be accelerated because we’re talking about matters that are not only high risk but critical in nature.”



## Strengthening Department Unity of Effort: Guidance to Results



The Unity of Effort Initiative capitalizes on these strengths while identifying ways to enhance the cohesion of the department as a whole. The department will accomplish this not by centralizing the decision making authority and processes within an opaque DHS Headquarters, but rather by transparently incorporating DHS Components into unified decision-making processes and the analytic efforts that inform decision making.

We are focusing on enhancing our partnerships and outreach as an integral piece of the department's Unity of Effort initiative. I lead the newly-established Deputies Management Action Group. We bring all the key senior leadership across the department's components to address some of our critical financial and budget challenges and how we can best use the resources of the department to achieve our priorities. One of the key areas of focus is our partnership with the private sector. We had a very significant industry day where we talked about our acquisition strategy, our acquisition process, and welcomed the private sector feedback on how we could improve operational performance.

### On Surprises

Prior to becoming deputy secretary, I was obviously well aware and quite familiar with the significant mission of the department, but once you are in a role as deputy secretary, the breadth and depth of the department's mission set becomes even more significant, and surprises abound. Let's take, for example, the Ebola response. DHS was on the front-line of screening travelers from the three African countries that were hot zones for Ebola. We devoted considerable effort and energy in response to this crisis. If you had asked me three years ago what role the department would play in response to such a crisis, I probably would have answered somewhere on the periphery, but that wasn't so. I think it's just a fascinating breadth. It's both a challenge and an incredible opportunity. ■

To learn more about the U.S. Department of Homeland Security, go to [www.dhs.gov](http://www.dhs.gov).



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# Aligning Mission Support with Mission Delivery: Insights from Ellen Herbst, Chief Financial Officer and Assistant Secretary for Administration, U.S. Department of Commerce


By Michael J. Keegan



A clear strategic focus and sound management are essential to the effective stewardship of taxpayer dollars, enabling agency decision makers to make tough choices on a day-to-day basis and for long-term management

challenges. Given the critical challenges facing government today, the ability of government executives to properly align mission support functions with mission delivery can help them respond more effectively to their mission and management challenges simultaneously, as well as drive change within their department. The U.S. Department of Commerce has sought to improve performance and operations while managing its resources more efficiently and effectively. What is the management and performance agenda for the U.S. Department of Commerce? How is Commerce working to transform the way it does business? What is Commerce doing to support its employees? Ellen Herbst, chief financial officer and assistant secretary of administration at the U.S. Department of Commerce joined me on *The Business of Government Hour* to share her insights on these topics and more. The following is an edited excerpt of our discussion complemented with additional research.


**What is the mission of your department and how has it evolved to date?**

 **Ellen Herbst:** The U.S. Department of Commerce was established in 1903. Within 10 years, that changed and the U.S. Department of Labor was established, taking over the labor-related activities. From then on, the mission of Commerce has focused on creating the conditions for economic growth and opportunity. Commerce has one of the most diverse mission sets of any cabinet-level agency. Our department has everything from predicting the weather to

counting people in the decennial census to issuing patents and trademarks, to helping businesses trade, increasing exports, and enhancing regional economic development. It meets these varying missions with 12 operating units, about 47,000 employees, and a budget of some \$8.5 billion.

As part of the administration's economic team, the Secretary of Commerce serves as the voice of all U.S. business. The department promotes job creation, economic growth, sustainable development, and improved standards of living for all Americans by working in partnership with businesses, universities, communities and our nation's workers. The department's "Open for Business" agenda is a bold strategic plan and policy blueprint focused on expanding trade and investment, unleashing government data for economic benefit, spurring innovation, protecting the environment, and executing these priorities with operational excellence as careful stewards of taxpayer dollars.

**Would you tell us more about your role and responsibilities?**

 **Ellen Herbst:** Some departments have administration and finance under the same portfolio, some don't; Commerce is one that has both of them together. I oversee the establishment and execution of departmental policies and procedures for administrative functions affecting program operations in Commerce's operating units. This includes budget, human resources, procurement, travel, and strategic planning and performance measurement. In my role, I seek to strengthen the department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service. I'm also the performance improvement officer for the department, so it's a pretty broad portfolio. We have over 300 federal employees in the organization plus a large number of contract support people that we depend on. I'm

"The reason to do it is to make sure that we can continue to deliver excellent mission support to programs. A finer point couldn't be made in an environment where resources continue to be constrained. I'm probably most passionate about what we're doing right now. Our departmental motivations are truly about improving services."





the luckiest CFO in the government because I have the best team in government. I have great people leading key departmental mission support functions and just an overall uniformly excellent workforce.

### What are the key strategic priorities of Commerce?



**Ellen Herbst:** Soon after joining the Department of Commerce, Secretary Prizker embarked on a nationwide listening tour to hear from the department's customers and stakeholders. She gathered the best ideas for how we can all work together to set the conditions for more and faster economic growth and job creation.

Crafted based on inputs from hundreds of CEOs, entrepreneurs, employees, and others across the country, Commerce released its Strategic Plan for Fiscal Years 2014 to 2018. This plan provides a broad foundation for economic growth and opportunity by focusing on five key priorities. Four are mission related. They're supported by the foundational goal around operational excellence:

1. **Trade and Investment:** Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs.
2. **Innovation:** Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.
3. **Data:** Improve government, business, and community decisions and knowledge by transforming department data capabilities and supporting a data-enabled economy.
4. **Environment:** Ensure communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment.
5. **Operational Excellence:** Deliver better services, solutions, and outcomes that benefit the American people.

The secretary's outreach effort provided a wonderful opportunity to take that example in-house. As part of our process, we brought together the senior leadership of the entire department, including the COOs of our operating units, hosted many discussions and asked tough questions. It was an absolutely essential part of our success in developing the strategic plan.

These areas were developed again at a departmental level and then cascaded down into the operating units so each of

our areas has a goal leader and then each of our strategic objectives has an objective leader. Since our objectives have two, three, four, five operating units, these objective leaders are responsible for managing the action plans and the objective accomplishment across these operating units.

One of the key things we did was to align agency priority goals (APG) with at least one mission pillar. For example, "increasing the high impact foreign directed investment" into the United States is part of our trade and investment pillar. Our newest focus is viewing and positioning Commerce as a premier data agency. Right away one may think, rightly so, of the Census Bureau—all of the data it collects on both population and the economy. That's certainly true, but actually the National Oceanic and Atmospheric Administration (NOAA) is an enormous producer of data.

Given this reality, we recognized the need to think very strategically about what we needed to do to continue to support the infrastructure for disseminating this ever-increasing amount of data, while also finding ways to make it easier for people to access and use. We also understand the potential business opportunities embedded within our data. We're playing right in the middle of all the big data discussions going on right now ... we knew we were a big data and information agency; we just hadn't quite thought about it as quite the strategic asset it is.

Another factor contributing to its success was having both the political leadership and senior career leaders together in the development of the strategic plan, monitoring process, implementation, and then executing the strategic priorities. In the past, every operating unit developed their own strategic plan. They were brought together, and after the fact, common threads were identified and connected. We then wrote a kind of topper piece. Having a secretary from the business community has been very helpful in bringing that kind of classic strategic planning approach to our department.

### How are you turning challenges into opportunities?



**Ellen Herbst:** The department's newly-minted strategic planning process has also led to the way it does its business. For instance, each key priority has a goal leader.

- **Pursuing intra-agency goals:** The goal leader for the environment priority is the NOAA administrator, whose responsibility now cuts across all of the operating units that have a piece of one of the objectives in the environmental pillar. This wasn't the previous normal operating

"In my role, I seek to strengthen the department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service. I'm also the performance improvement officer for the department, so it's a pretty broad portfolio."



process and for that reason, it is as much an opportunity as it is a challenge.

- **Limited budget resources:** Budget constraints are with us today. One of our challenges and opportunities is to figure out ways to deliver better service, but do it in a more economically sustainable way. Mission support activities such as financial management, human resources, and procurement enable programs to meet their respective missions. I believe the only reason to do them is in support of the mission.

In order to turn challenges into opportunities, the department is banking on the implementation of shared services for a host of mission support functions. We're putting our efforts into delivering improved quality and consistency of service delivery, improved transparency and accountability to clients, but most of all, doing it in a way that's going to be economically viable over the longer term.

#### Is Commerce pursuing shared services? How is it going about doing it?



**Ellen Herbst:** During one of our off-site meetings with mission leaders, they let us know that they need to hire faster and acquire things faster. Once I got over my initial broken heart, I realized that they had handed us a great gift—they confirmed the importance of the work we do. It is our job to help mission leaders hire and buy, or more basically, bring resources to accomplish their missions ... this is so important that we have to do better at it. To that end, our shared service initiative has been driven by the goals of improved service, improved consistency of service delivery, improved accountability, and improved transparency.

The department has established four working groups targeting opportunities to implement shared services within technology, finance, human resources, and acquisition. The purpose is to identify capabilities that could best be delivered by a shared service provider. As I noted, the goals of our shared service initiative focus on improving service delivery as well as accountability and transparency.

Our ultimate purpose is to get more "bang for the buck" in terms of better and faster service. Commerce is analyzing approaches to shared services to help lower administrative costs and put more money toward mission and program activities. The department may establish an internal organization that will be responsible for selecting and managing providers, service agreements, and performance. If you do shared services right, you will get at minimum cost avoidance; you will likely get cost savings, but that's not the only reason to do it.

The reason to do it is to make sure that we can continue to deliver excellent mission support to programs. A finer point couldn't be made in an environment where resources continue to be constrained. I'm probably most passionate about what we're doing right now. Our departmental motivations are truly about improving services.

In the acquisition area, we've done a lot of work on what is our "common spend." We think at least one-third of what we spend is under our direct control, so why wouldn't we ensure that the department has contracting vehicles in place that can get us the best value of every dollar spent? In doing this, we are also freeing up the time of experienced contracting officers, who can focus on mission-critical acquisitions that go to the heart of the department's purpose and end. We have an integrated acquisitions and financial system but they're both pretty old and they need to be upgraded; we are looking to modernize this system. We are part of the government-wide effort to go to a financial management shared service provider. I just don't see the need to be running as many financial systems across the government as we're running. It just doesn't make sense. That's why I am so passionate about the promise and potential of the shared services approach.

#### What can you tell us about the multi-year renovation project of the Commerce Headquarters building?



**Ellen Herbst:** Working on this project has brought surprises as well as challenges. I have been involved in the building of buildings. I've been involved in moving lots of people into new buildings. I have never been involved in

anything on this scale, certainly not renovating a building that was built in the early 1930s. I should start out by saying that we are actually a building tenant. This is a GSA building, so GSA is the prime and has the lead. The project's billion-dollar price tag comes mostly from the GSA appropriation, but that doesn't take away from the fact that every single day, we are working in partnership with GSA and with their contractors on this renovation.

I mentioned it was built in the 1930s. It's almost 2 million square feet under one roof. It's like moving into a massive 80-year-old house and you're gut-renovating it while living in it, but we are doing it in phases. It's one section of the building at a time; we move people out into swing space, renovate that space, put them back in, move onto the next renovation.

We are more than simply renovating a 1930s office building. We have taken the opportunity to think through how best to configure this space to meet today's demands and needs. We are providing more of an open-space environment. We also asked such questions as: To what degree can we embed more modern technologies? To what degree can we open up the space to have more light and air flow and just give it a more modern feel, as well as open up more collaboration spaces for people? We want this work space to be for our employees. I have to say, this is a work in progress. We have a great partner in GSA. We work together collaboratively and I can't say enough about the good work they're doing.

### Would you tell us more about your leadership style? How has it evolved to date?



**Ellen Herbst:** Leading that workforce takes certain kinds of qualities, and my leadership style continues to evolve. I started managing people when I was 23 years old. I strive to

be a true servant leader, spend the time picking excellent people and put them in the right place to excel. If you do that, then your job becomes essentially guidance, support, brainstorming, and problem solving with staff. I'm not a command-and-control person by either personality type or by leadership style.

I am a data-driven, outcomes-oriented person. You need to be very clear about the goals you're trying to achieve, plan accordingly, measure the milestones, and track the progress. This is the only way you can achieve shared expectations. How do you know that you've achieved success in something if you don't talk up front and agree on what success looks like and how you're going to measure it?

I also spend a lot of my time talking to my department and bureau peers about how we're doing. As one of the department leaders, I see myself as a business partner to the mission areas, helping them problem-solve and ensure that the services we deliver are aligned to their mission outcomes. ■

To learn more about the U.S Department of Commerce, go to [www.commerce.gov/os/office-chief-financial-officer-and-assistant-secretary-administration](http://www.commerce.gov/os/office-chief-financial-officer-and-assistant-secretary-administration).



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# Expanding the Role of the Chief Information Officer: Insights from Joseph Klimavicz, Deputy Assistant Attorney General/Chief Information Officer, U.S. Department of Justice


By Michael J. Keegan



While the U.S. Department of Justice (DOJ) has a varied and wide-ranging mission, its core objective is to protect the American people. Information and technology have an important and powerful role to

advance, protect, and serve the DOJ mission. Faced with the challenges of increasingly frequent and complex cyber threats and an uncertain budget climate, information technology (IT) as a mission support function must be adapted to foster efficiencies, serve in new roles, and enable the department's components to focus their time and resources on unique mission-critical activities. What are the responsibilities of the chief information officer at the U.S. Department of Justice? What is DOJ's information technology strategy? What is the DOJ doing to build a Future Ready Workforce? Joseph Klimavicz, chief information officer, U.S. Department of Justice joined me on *The Business of Government Hour* to provide his insights into these questions and more. The following is an edited excerpt of our discussion complemented with additional research.

**What are your responsibilities and duties as chief information officer at Justice? How is your office organized and how do your efforts support the department's overall mission?**


 **Joseph Klimavicz:** As CIO, I provide leadership and oversight of the department's information services and technology programs in support of the overarching department mission. Specifically, I'm responsible for overseeing DOJ's IT resources, delivering IT services to senior leadership and senior management offices, and providing enterprise services across the department, protecting DOJ's information and information

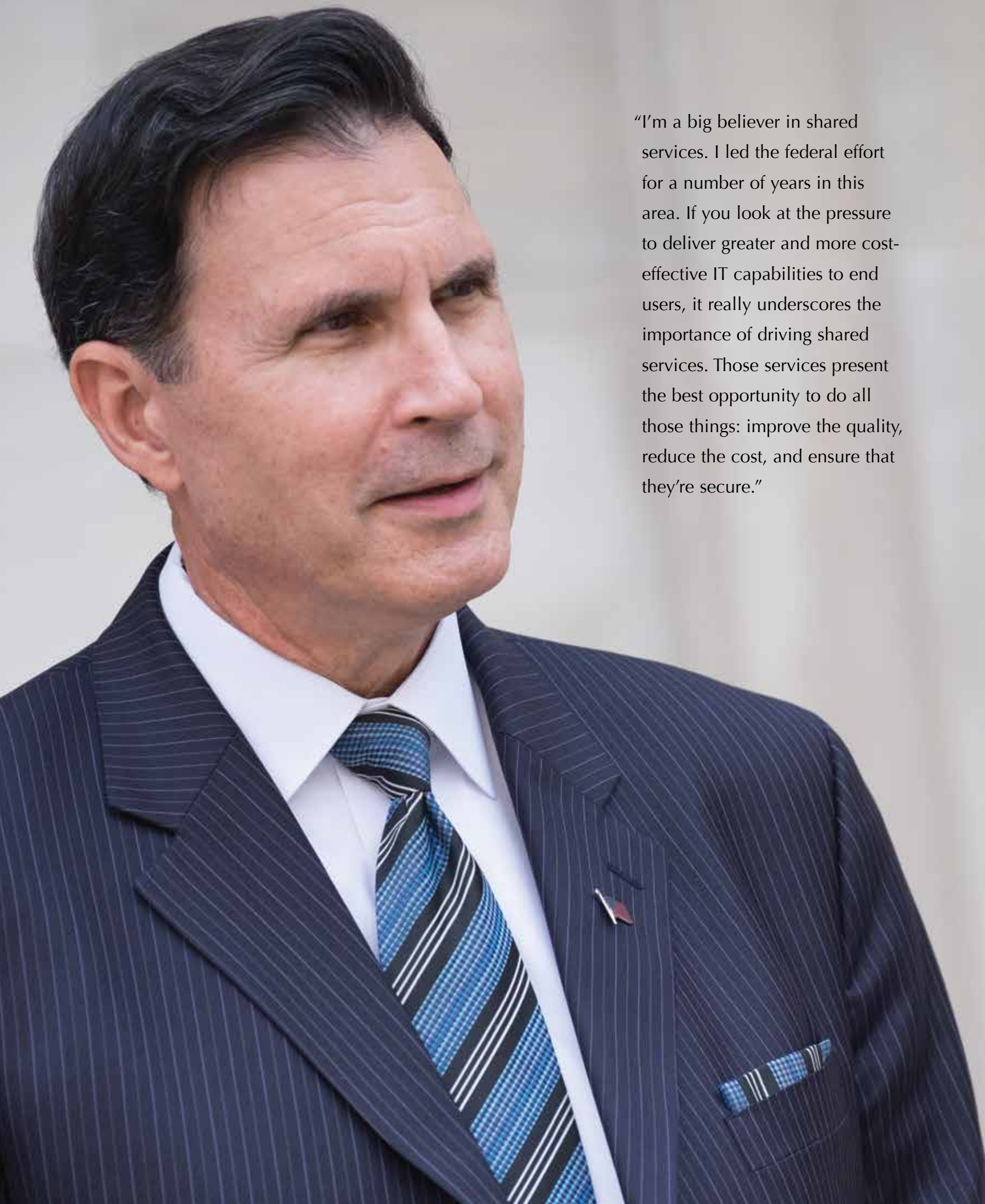
systems from data loss or unauthorized access. My office is engineering, developing, and brokering new IT services. I also have department-wide responsibility for radio frequency spectrum use, geospatial activities, and inter-agency law enforcement information-sharing activities.

The office has four staff boxes that report to me: service engineering, service delivery, cyber security services, and policy and planning staff. In aggregate there are about 250 federal employees supported by about another 750 contractors.

We support a department that is comprised of approximately 40 separate component organizations. On the federal side, 114,000 employees ensure the department carries out the individual missions of each component. We're headquartered in Washington, DC, but most of the work occurs in field locations throughout the country and overseas. The department's critical mission is supported by an annual budget of roughly \$27 billion.

**Given your portfolio and mission-critical services you provide DOJ, what are some of challenges you face and how have you sought to address them?**

 **Joseph Klimavicz:** My number-one challenge has to be cybersecurity. I think it is for most federal CIOs. The cyber attacks are increasing in aggression and sophistication, and bypassing a lot of traditional security tools. I'm really focusing on strengthening security posture and ensuring that it is as good as it can be to defend against these attacks and protect our sensitive law enforcement, national security, and other government personnel data, as well as the infrastructure that houses it.



"I'm a big believer in shared services. I led the federal effort for a number of years in this area. If you look at the pressure to deliver greater and more cost-effective IT capabilities to end users, it really underscores the importance of driving shared services. Those services present the best opportunity to do all those things: improve the quality, reduce the cost, and ensure that they're secure."

From an administrative perspective, we are still feeling the effects of past hiring freezes and are challenged by a complex hiring process. We also have gaps in important areas including cybersecurity and project/program management. Beyond these technical skills, our employees need the right skill sets and knowledge to really lead transformation and modernization efforts. Finally, there is always competition with the private sector for top talent.

The next challenge involves having to operate in an uncertain budget climate. Given this, I have to look continuously at improving the quality of IT services while driving down the cost of those services.

### DOJ views information, data, and technology as strategic assets. To that end, would you tell us about your strategic plan and goals?



**Joseph Klimavicz:** We recently developed an information services and technology strategic plan that outlines how we're going to support the achievement of DOJ's broader mission. This document will guide our organization's initiatives and activities for the next three years. The strategic plan is actually published on our public website under Justice Management Division publications and resources. Our strategic goals include:

- **Exceed customer expectations.** I don't want to just meet customer expectations, although that may be a necessary precursor; I want to exceed them. This means having strong customer engagement and quality of service, which translates on the operations and delivery side to acting as a trusted advisor to DOJ program and mission leaders. As a priority, the department will support its customers, both internal and external, and together, help fuel new and improved ways of doing business. To that end, IT will be seen as a tool that improves DOJ employee productivity and efficiency, and the customer experience.
- **Manage taxpayer funds wisely.** I want to manage taxpayers' money wisely. My office continuously seeks ways to operate more efficiently and cost effectively. Mature governance processes are needed and must be integrated throughout all operations to strengthen accountability, increase performance, and capture information to drive better decisions. The department will strengthen its governance framework through the implementation of the Federal Information Technology

Acquisition Reform Act (FITARA). This increased visibility and authority will result in enhanced transparency and oversight of IT investments at an enterprise level. Serving as an advisor, IT can help connect components to ensure the department is using the greatest value of its data resources, and identify potential applications of data for decision making. IT will also identify new opportunities to save with initiatives such as consolidating data centers, adopting cloud technologies, rationalizing and optimizing the IT portfolio, and implementing shared services. The goal of these cost-saving initiatives is to reinvest funds into the mission.

- **Enable innovative sharing of services and information.** I want to enable innovative sharing of services and information. Essentially acting as a service broker, I want to build a trusted environment for data management and interoperability. Following that, I want to promote data and information accessibility not only to the private sector, but also to foster better collaboration with the 40+ components that comprise DOJ. Shared services allow for the ability to quickly adopt new innovative solutions and enable our components to focus their limited time and resources on unique mission-critical activities.
- **Protect the mission.** Our next goal focuses on protecting the department's mission, combating cyber threats, enhancing the identity credential access management, preventing and detecting insider threats, and then applying analytics in near real-time so that we can react faster. To that end, the department will increase visibility by performing advanced data analysis to provide synthesized, near real-time views of our risk posture across the enterprise. It is my charge to make sure IT services and solutions are based upon advanced security capabilities that protect the department's mission.
- **Build a future-ready workforce.** Our last—but certainly not least—goal is to build a future-ready workforce. Our greatest asset is our people. As the department's IT needs evolve, the knowledge, skills, and abilities of the IT workforce will need to evolve as well. We will focus on hiring and retaining top talent, and providing training and professional development opportunities for them. As part of this goal, we are developing strategies to address the following questions: How do we attract a high-quality, diverse workforce? How do we retain and cultivate a workforce with the right skills? How do we build a culture of engagement and reward innovation?





“As CIO, I provide leadership and oversight of the department’s information services and technology programs in support of the overarching department mission.”

**What can you tell us about your efforts around shared services and technology? Would you tell us a little bit about that effort and the benefits derived?**



**Joseph Klimavicz:** I’m a big believer in shared services. I led the federal effort for a number of years in this area. If you look at the pressure to deliver greater and more cost-effective IT capabilities to end users, it really underscores the importance of driving shared services. Shared services is the best opportunity to improve quality, reduce costs, and ensure security. In partnership with DOJ components, we are executing our goals and objectives in a way that not only optimizes our IT spending, but also improves our capabilities. My strategy is to leverage shared services as a “de facto” way of doing business. We’re inclusive in our search for better services. We want to learn from others. I spend time working and learning from the industry as well as from other government agencies.

To that end, we created a strong service broker function in our service engineering organization. It acts as a trusted advisor and as an enabler of IT capabilities that delivers efficient and effective services across the enterprise. Within the last year, we published the first DOJ IT shared services catalogue. In order to use shared services, you need to know these services exist. We’re issuing updates to this catalogue every quarter. I expect our catalogue will continue to expand as we add new services, work in partnership with components to understand the demand and types of services that are needed, and identify offerings components can make available to the enterprise. I’m committed to this enterprise shared services model: How many systems do we have in a certain area? How do we move from stovepipe systems to shared services in that area? This allows us to take advantage of economies of scale and consistency of performance.

**What can you tell us about your efforts to expand information sharing? How are you driving collaboration internally and with the broader law enforcement community?**



**Joseph Klimavicz:** As I noted, one of my strategic goals is to enable innovative sharing of services and information. From my perspective, the department’s data and information are a national asset and it’s crucial to the successful

execution of the overall mission. Sharing information compounds its value, allows new uses and insights. Furthermore, the data that is shared with the public has potential to spur economic growth and innovation. We need to balance the sharing of information with protecting privacy, civil rights, and civil liberties. It may be easier to focus on the technology aspect of the role, but I’m always reminded that you’re the chief information officer and I recognize that we need to do more in this area. I have sought to improve the sharing of information with law enforcement components within the department and with our federal, state, local, tribal, and international partners.

With an increasingly mobile workforce, the department will develop solutions that enable employees to access DOJ data and IT tools from where they need to work. Collaboration tools will be provided that allow employees to improve productivity, hold virtual meetings, conduct brainstorming sessions, and gain insights.

The information sharing challenges that the department faces exceed the ability of any one component. Many of the information sharing challenges are not primarily technical in nature. There are many other things that contribute. It’s important that we get the department to work and treat information as a shared resource and treat information from a holistic perspective rather than a product of a collection of disparate unconnected systems. I want to make sure that we’re committed to adopting a standard operating procedure, a standard way of doing business. I spend time working with the department and component leaders trying to improve the technical side while also working to coordinate policies.

**What are you doing to build a future ready workforce?**



**Joseph Klimavicz:** I’m glad you asked about the workforce because one of the greatest assets of Department of Justice IT is its people. That said, addressing workforce needs brings with it many challenges. First, we’re competing with industry and other federal agencies to attract the top talent. Secondly, our current workforce must gain new skills and competencies in order to use evolving technologies. Third, when you look at the metrics, we have a significant part of

our IT workforce who can retire or are about to be eligible to retire. Given this reality, we are focusing on succession planning and our ability to quickly replace those who leave.

I am committed to building a work environment that attracts top talent from universities and market-leading corporations. I want to also make sure that we've retained the existing workforce through participation in mentoring programs, job sharing, and exchanges. There's much that needs to be done in this area. Some of the most critical skill sets include program management, cyber security, technical engineering, and acquisitions, which are just a sample of the areas we are focusing on.

**Federal Information Technology Acquisition Reform Act (FITARA) was signed in December 2014 as part of the National Defense Authorization Act. Would you give us the high points of this law? Where are you in implementing the provisions of the law? Would you elaborate on what you mean by saying that the speed and level of implementation could be "a bit uneven" across agencies?**



**Joseph Klimavicz:** FITARA strengthens the CIO's responsibility and accountability for agency IT programs. The CIO must have a significant role in decision-making processes for IT resources in planning, programming, budgeting, and execution. The CIO must approve agency IT budget requests. The CIO must be involved in the management, governance, and oversight of IT programs. The CIO must monitor performance of IT programs and advise agency leaders to continue, modify, or terminate IT programs. The CIO must review and approve IT acquisitions, must review and approve reprogramming actions, and must approve the appointment and performance assessments of component CIOs or IT directors.

FITARA is a great opportunity for CIOs. It solves many high-level challenges within the federal IT space. It increases responsibility and accountability. It gives the CIOs the tools

that we need to drive innovation and realize efficiencies. With all of this authority, FITARA forces CIOs to take ownership of their IT portfolio. We started planning for its implementation as soon as it passed. We conducted a gap analysis. We want to take advantage of existing processes and governance structures and build on them, tweak them, optimize them. Our assessment indicates that in certain areas such as IT resource planning, we're close to meeting the baseline requirements as defined by OMB's FITARA guidance. In other areas such as acquisition review, we have to strengthen our accountability and performance by again leveraging processes such as the Department Investment Review Council. We need to make sure that we have staff in place to expeditiously review and make decisions on IT acquisitions.

Given the vast difference in size and complexity of federal IT portfolios, meeting these requirements may be somewhat uneven among agencies. I expect smaller agencies are going to be able to move much faster in implementing FITARA requirements. ■

To learn more about the U.S. Department of Justice, go to [www.justice.gov/jmd/about-division#731](http://www.justice.gov/jmd/about-division#731).



To hear *The Business of Government Hour* interview with Joseph Klimavicz, go to the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



To download the show as a podcast on your computer or MP3 player, from the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org), right click on an audio segment, select Save Target As, and save the file.



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# Changing the Way Justice Manages its Mission: Insights from Jolene Lauria, Deputy Assistant Attorney General/Controller, U.S. Department of Justice


By Michael J. Keegan



Fiscal austerity is an enduring challenge for the foreseeable future, and federal agencies have a greater incentive to rethink traditional approaches to mission support and service delivery. Government executives can harness


major technological shifts and adapt proven public sector and commercial best practices to make their agencies both more efficient and productive. With the implementation of its Unified Financial Management System (UFMS) on time and within budget, the U.S. Department of Justice (DOJ) continually seeks ways to operate more efficiently and cost effectively. UFMS has identified and standardized common business processes across the department, leveraging best practices to improve financial management and reporting, and providing the department with leadership with real-time financial data. What are DOJ's Office of Controller's key priorities? What are the key challenges being faced by the DOJ Controller? What has made the UFMS implementations so successful? Jolene Lauria, Controller, U.S. Department of Justice, joined me on *The Business of Government Hour* to provide her insights into these questions and more. The following is an edited excerpt of our discussion complemented with additional research.

**What does the mission of the U.S. Department of Justice mean to you? How passionate are you about it?**


 **Jolene Lauria:** I live by a simple but powerful phrase: If you wish for peace, work for justice. Earlier in my career I received a mug, which remains in my office today, that has this phrase on it and I remind myself of it every day, because it characterizes everything that I do at DOJ. Every day at Justice, I know that we're forwarding a more peaceful society. I want to work for an organization with that mission and that seeks to

make vision a reality. We—me and the other 114,000 employees in the Department of Justice—are privileged to serve its mission and work in a department that has as its core value: justice! We don't produce a product or widget. We don't make a profit, but we're here to make communities in this country safer, more just, and better. We uphold the constitution; we safeguard the country's rule of law.

**Would you give us a sense of the scale of the department's budget and operations?**

 **Jolene Lauria:** The department's geographical footprint spans the globe with a budget of \$27.3 billion and 75 percent of those resources are in four key area: 31 percent is spent on the Federal Bureau of Investigation (FBI), 30 percent of our resources go to prisons and detention, 7 percent to DEA, or drug enforcement and activities, and 7 percent to the U.S. Attorney's office. You often hear the Justice Department being the largest law firm in the country, but over 60 percent of the resources go to the FBI and the prisons and detention areas. Continuing, 19 percent of the budget goes to other law enforcement, about 11 percent goes to the litigating components, while 2 percent goes to management and technology mission support activities. Finally, 8 percent of DOJ's budget is spent on grant activities. Given its breadth and depth, the department may be more than the public generally knows.

**What does the controller at DOJ do?**

 **Jolene Lauria:** My office is within the Justice Management Division (JMD). Formally, the Justice Management Division, under the direction of the Assistant Attorney General for Administration, provides advice and assistance to senior management officials relating to basic department policy for budget and financial management, personnel management





“My first principle of leadership is that if people don’t know who you are and what your passions are, they don’t know who they’re following. My second principle is live like there’s no tomorrow. What this means professionally is work with a sense of urgency. I never leave my office without clearing my desk.”

and training, facilities, procurement, equal employment opportunity, information processing, records management, security, and all other matters pertaining to organization, management and administration. In a nutshell, we actually help make the missions of the department happen in many ways. You need operational experts on the ground to do their job, but you also need the infrastructure and program support to allow them to do that job. In the simplest form, you need money to put gas in agents' cars and contracts and procurement mechanisms that provide and maintain those cars. You need contracts to hire linguists, translators, and IT specialists. Who helps make this all happen? The budget and financial analysts that work in my office make sure that program owners get the resources they need to meet their respective missions.

I serve in the management arm of the Department of Justice. It's one of the highest career executive positions in the department, responsible for the entire department's budget and finances. I advise the Assistant Attorney General, the Deputy Attorney General, and the Attorney General on various issues related to the financial operations of the department. It's a unique position. On one level, you inform the big picture while also advising senior leadership on key issues affecting the department. You then need to take that big picture—that strategic vision—and make it operational. It's always about focus on both the big picture and little picture. It could be anywhere from the types of appropriations you can use to purchase a sandwich to how you run a large-scale operation. It's anything from the very smallest item to the very largest item. I have the functional responsibility to make sure that happens.

### Regarding your responsibilities and duties, what are the top three management challenges that you face in your position?



**Jolene Lauria:** The challenges facing me today are somewhat similar to what I shared with you when I was on the show in 2009. I'll briefly outline those challenges:

- **Hiring the right people and retaining them.** Given budget constraints, it has become very difficult to get people in, hire them, train them, and retain them. Ask any of my service directors, and they will agree that hiring talented people has to be our number one management challenge. It is people, people, people—finding, hiring, and keeping them.
- **Keeping up with technology.** The second management challenge I face involves technology. It is a twofold issue: (1) keeping up with technology, given scarce resources,

and (2) being able to use the wealth of data collected by technology to better inform decision making. For example, we implemented the Unified Financial Management System (UFMS) across the department over a number of years. Almost immediately, we have to update and upgrade the system, when we barely have the resources and money to actually implement it in the first place. The second part of our technology challenge is making sure we can use it as a tool so we can perform the analytics and use the data to do our jobs better.

- **Unfunded mandates.** I think this challenge hasn't changed since the day I started in the federal government. There's a lack of requirements analysis or good financial sense for when a law is passed or when a new requirement is laid upon a department. The key question: does the department have the right resources, tools, and people to get the job done? You would never start a business without this support function. You would never start a business without financial capital, but we pass laws that don't have money behind them. They come with requirements that I'm referring to as unfunded mandates. It is a huge management challenge for us.

Frankly, in the end, the budget is the biggest management issue we face today in the federal government. Not knowing the resources that may be coming to us, constantly planning on either shutdowns or sequesters—the budget stressor for us—and managing through that is a big challenge.

### What has surprised you most in your current role?



**Jolene Lauria:** I was reflecting on this question, and I was surprised that this surprised me. I'm known in the department as the champion for change. I've implemented a unified financial management system across the enterprise. I'm doing a DOJ service review that's making everybody look at what they do and identify possible changes in how business is done. What has surprised me the most has to be the unwillingness of most people to embrace change. Now, I keep broken-in shoes forever and I am comfortable in my old jeans. I totally appreciate being comfortable in your setting or in your personal life and the things that you do. I've been very surprised by how difficult it is to get folks to embrace change in the workplace and how reluctant people are to explore new ways of doing things.

### What can you tell us about your leadership style?



**Jolene Lauria:** Everyone that works for me knows my priorities and passions. They even know my favorite color. I

"I live by a simple but powerful phrase: If you wish for peace, work for justice. Earlier in my career I received a mug, which remains in my office today, that has this sentiment on it...it characterizes everything that I strive to do each day at DOJ."



have people every day who know what my hopes and dreams are. It's not a secret; it's open and transparent. They subscribe to it and we execute it together. I have a couple of principles that I've managed to live by. These may not sound like management principles to management geeks, but I subscribe to them and they have both personal and professional application. I love with all I have and I give it all away. I go there every day to work as hard as I can and I love what I do and I give it away. I do that in my personal life and I do that in my professional life. Therefore, my first principle of leadership is that if people don't know who you are and what your passions are, they don't know who they're following. My second principle is live like there's no tomorrow. What this means professionally is work with a sense of urgency. I never leave my office without clearing my desk. You don't know what the next day offers you. So it's important for imparting that sense of urgency, living like there's no tomorrow in everything you do. It may be tiring in the end, but it's also very rewarding. My third principle is give thanks and praise often and with sincerity. I can't stress this enough that leaders should express thanks and appreciation to those who work with them.

I also want to stay on point. During the early implementations of UFMS, some folks on the project were trying to explain to me why we had gone off the schedule. I just stopped the meeting and said I just don't have time for these "stupid time-wasters." The stupid time-waster costs us time and money. People learned that they don't come to me with stupid time-waster explanations. I do subscribe to lead, follow, or get out of the way. If you're not willing to lead the change, and you're not willing to follow the change, then find another place to work. I'm not a micromanager. I'm more of a free spirit that tells you where I want to go and we all get there, though we don't get there in a sequential line. I need people that know when it's time to rock the boat, because we have to move forward. Sometimes you have to rock the boat to save the passengers.

#### What are your key priorities?



**Jolene Lauria:** We have to finish what we started. We are getting ready to embark on the final frontier for UFMS. My

staff knows it affectionately as Unified-Topia, "U-Topia." We're getting everybody aboard the starship to U-Topia. When we're there, we're going to be in financial nirvana. The second priority is saving money in everything we do, because of the federal budget realities. We saved hundreds of millions of dollars in small initiatives. From printing on double-sided paper to consolidating contracts, these efforts saved millions to date. We have to save every penny that we have, because we need to re-invest in the important missions of the department. We can't waste money on small things because there are big things and unfunded mandates that we must pursue. My third priority is asking and getting the right resources and allocating it to the most important department missions.

#### Would you tell us about UFMS and its implementation?



**Jolene Lauria:** The Department of Justice has initiated an effort to implement a unified system that will improve the existing and future financial management and procurement operations across DOJ. The department will address these needs via the implementation of the UFMS, which planned to replace seven core financial management systems and multiple procurement systems currently operating across DOJ. With the implementation of UFMS, the department's financial management community has integrated procurement activities, centralized redundant activities, achieved economies of scale on credit card and payroll processing, and given departmental leadership real-time financial data for use in quickly and accurately providing an assessment of the department's status of funds. In addition, UFMS has identified and standardized common business processes across the department to leverage best practices to improve financial management and reporting.

Key to the success of the UFMS implementation is our resiliency. We always stayed focused on our UFMS vision and kept front-and-center the value and benefits this new system will bring once implemented. In the beginning of the implementation, everything was very rigid, but as time went on, we recognized that being more iterative in our process and more resilient in our manner has been a secret to our success. I would be remiss in not highlighting the importance of the strong executive leadership commitment to the



project from the beginning. For a project of this magnitude to be successful, it is essential to have executive sponsorship. This project spans multiple administrations, different leaders, Republicans and Democrats, and we never slowed down our vision, our path, our reality. It's why we're embarking on the final path to U-Topia, as I described earlier. The project has celebrated numerous successes along the way including being recognized with two Federal 100 Awards, a 2015 Attorney General Award, and many other recognitions from the federal community.

**Given OMB/Treasury's focus on the four federal shared service providers, can you talk about how DOJ fits into that landscape? Do you anticipate Justice becoming the fifth shared service provider?**



**Jolene Lauria:** I not only anticipate it, but I welcome it. I talked about U-Topia as that final frontier for the UFMS implementation. So, now that we've built this amazing system, why not become a shared service provider? Why not take what we've learned and what we've perfected and then service other federal agencies who wish to use our product? I anticipate it; I see it as the next step. We are actively

engaged with OMB and Treasury on becoming a shared service provider, but first we have to finish what we've started and fully implement UFMS across the Department of Justice. That said, we know how to implement a system with common, consistent processes, and configure it so it works for the user. ■

To learn more about the U.S. Department of Justice, go to [www.justice.gov/jmd/about-division#761](http://www.justice.gov/jmd/about-division#761).



To hear *The Business of Government Hour* interview with Jolene Lauria, go to the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



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# Meeting the Mission of Transportation Safety Through Information Technology: Insights from Richard McKinney, Chief Information Officer, U.S. Department of Transportation

By Michael J. Keegan




Since its inception, the U.S. Department of Transportation has been responsible for ensuring a safe, efficient, accessible, and convenient transportation system. Information technology enables government agen-

cies to deliver mission services. Today, government IT executives must remain true to their agencies' strategic intent while addressing many challenges in the government IT landscape. Among those challenges are constrained budgets, rapid technological advancements, and new government mandates. Like most federal departments, the DOT has sought to meet these challenges head on, and that requires a strong mission support infrastructure. Specifically, it is an information technology core that supports the DOT's strategic goals while keeping an eye on the improvement of operational efficiency and smarter resource management.

What challenges does the DOT CIO face? How is IT being used to advance the mission of DOT? What does the Federal IT Acquisition Reform Act (FITARA) mean to federal CIOs? Richard McKinney, chief information officer at the U.S. Department of Transportation, joined me on *The Business of Government Hour* to share his insights on these topics and more. The following is an edited excerpt of our discussion complemented with additional research.


**If there is a single word to describe the mission of the U.S. Department of Transportation, what would it be?**

 **Richard McKinney:** If you had to boil it down to one word, it would be safety. It's about how to move people and things from Point A to Point B safely and securely. One of the best things about my job has been seeing the tremendous

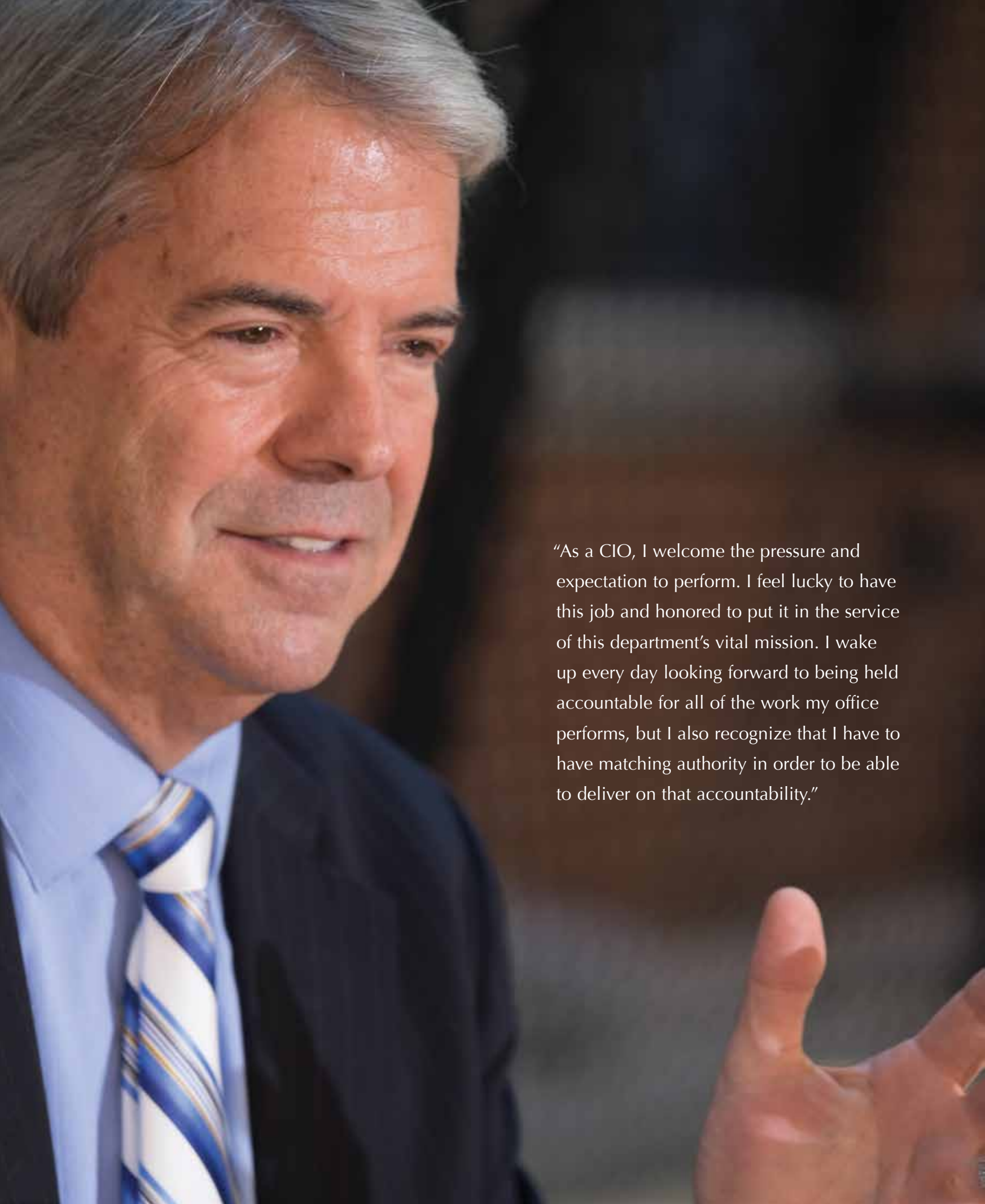
passion folks in this department have for its mission. From one side of the department to the other, there is a singular focus on the safety of the traveling public and traveling commerce. We do this with a department budget of around \$80 billion and over 50,000 employees.

Since its inception in 1967, DOT has been responsible for ensuring a safe, efficient, accessible, and convenient transportation system that meets our vital national interests and enhances the quality of life of the American people. The initiatives outlined in the Strategy continue to enhance this responsibility by driving performance excellence and service delivery through effective information technology (IT) governance and resource management.

**Would you describe your role and key responsibilities as CIO at Transportation?**

 **Richard McKinney:** It was an honor to be hired by Secretary LaHood. It has been an honor to work for Secretary Foxx. The Office of Chief Information Officer (CIO) sits under the Office of the Secretary. It is a challenging job, but I am very comfortable meeting the challenge. I had been a CIO in the state and local space for some time. I left that role for the private sector, but I missed being in the CIO chair and having those challenges in front of me. When I was offered this position, I snapped at it. I really enjoy the job, the people I work with, the people I work for. I've got the greatest job on the planet.

The CIO serves as the principal advisor to the Secretary of Transportation on matters involving information and technology. The DOT CIO also has oversight responsibility over the entire Department of Transportation (DOT) IT portfolio



"As a CIO, I welcome the pressure and expectation to perform. I feel lucky to have this job and honored to put it in the service of this department's vital mission. I wake up every day looking forward to being held accountable for all of the work my office performs, but I also recognize that I have to have matching authority in order to be able to deliver on that accountability."



of over \$3 billion annually, the 6th largest in the federal government. Additionally, the CIO has operational responsibilities for the DOT Common Operating Environment consisting of local area networks, wide area networks, desktops and back-end services for all DOT modes except FAA. In my role as CIO, I also promote entrepreneurship, innovation, investment, and alliances to address transportation issues by creating technology solutions. OCIO is also implementing a holistic cybersecurity plan to strengthen DOT's security framework.

### What issues or challenges concerned you when you became Department of Transportation CIO?



**Richard McKinney:** I am asked this question often, and I have given it much thought. From the first day, I was concerned about cybersecurity issues—the department's cybersecurity ranking and ability to meet Federal Information Security Management Act (FISMA) requirements. The department has reported a material weakness in its information security program, which increases the risks of cybercrime, system failures, and unreliable data. This was a serious concern and focus for me. It was my belief, which I expressed to then-Secretary LaHood, that this issue and my concern would lead me to uncover other issues.

Given my broad exposure to IT and government at the state and local levels, my hunch was the department had a federated IT environment. IT as a mission-support function is probably quite siloed and may lack the proper governance structure that would better serve the department.

I began my time having conversations with the CIOs within the department's various operating administrations. After a couple of these meetings, it became obvious that we needed to learn to do business with one another. We're going to learn how to discuss these issues and it's going to be a give-and-take. I'm not going to do dog-and-pony shows anymore, because that wasn't going to get us where we needed to go on security or governance. I invited them to re-imagine how we could build a proper governance process.

I've worked as a state and local CIO. I have also consulted for governments in this area. I have seen that federated environments are needlessly duplicative and it's that duplication, that unnecessary overlap, that is the beast that always gets fed first. It's what steals all of the money. My career in government started at the beginning of the movement from the old centralized single mainframe environment to

that movement of IT to the edge of the organization. This became what we now call the silos of government IT function, where the information technology infrastructure ended up being recreated in all of these different offices.

I was also CIO of the City of Nashville when I began to recognize the issues with both the old centralized model as well as the more recent decentralized approach. I began to wonder is there a more balanced approach: one that could figure out the common IT functions needed across the enterprise, or what part of the infrastructure is a utility of sorts that an enterprise could provide for the various business units, and then let the program offices focus on their missions and their programs. Program leaders didn't wake up one day and decide they wanted to own IT infrastructure. That leader wanted to have better control of the outcomes and sometimes that required that they procure and operate that IT solution. That time has passed. Let's figure out how we can find the balance between these two models; let the enterprise do 70 percent that is common to everybody as a utility, then let the IT folks in the businesses themselves just focus on the next generation of solutions. We have large investments in IT. If we spent that money more wisely, it would go further and we'd be much happier with the results.

### What are you doing to take IT and apply it effectively to the mission of the department?



**Richard McKinney:** It is important to be clear: we don't do IT for the sake of just doing IT. We do IT to effect an outcome, which in the end is the mission of the U.S. Department of Transportation. The question I always keep front and center—how can we most effectively take IT and apply it to the mission of the department?

I work with very good component/modal CIOs, who have mission-specific IT needs. What I want to do is free up the component CIOs and their resources so they can focus as much of their resources on their programs, delivering on the mission of the department.

Eight months into my tenure, I realized that much hardware data was siloed. DOT possesses tremendous amounts of data. We've made significant amounts of data available to the public as part of the Open Government Initiative. I began to focus on how the department shares data internally. We have focused on how the department manages, stores, analyzes, and exchanges data to look for synergies. Society has become increasingly digital, and transportation

is right there. Cars, roads, and infrastructure interconnected—exchanging data and talking with each other. When people talk about big data, one can't help but recognize that the transportation sector is right in the middle of this trend. Recognizing this situation, I became the first federal CIO to hire a chief data officer, and it is his job to develop an enterprise data governance approach. Just like my discussion about IT infrastructure, it's about how we govern around data. It is important to standardize our data, so that it's interoperable and exchangeable across the enterprise. We're in the early stages, and we're doing the things that will benefit us down the road.

**Would you tell us more about the department's data strategy? How are you taking data more seriously than ever before?**



**Richard McKinney:** We've doubled down on our data strategy. We're looking to have even more data sets available and released for people to innovate with and build commercial applications around transportation trends. Data is crucial to DOT's mission. The department manages data as an asset to support activities related to ensuring safety, measuring regulatory compliance, and measuring the effectiveness of customer service. Our top priority is to make the U.S. transportation system the safest in the world. The department has always collected data to help execute its mission, but it is even more focused on transforming DOT into a data-driven and performance-based organization. This means that DOT stakeholders, both internally and externally, need to be able to access department data at any time, from any place, on any device. Data can empower users to make more informed decisions about all aspects of their safety in real time. Stakeholders and employees can make better decisions when equipped with accurate, timely, and easily accessible data.

In the spirit of doubling down, I also hired a chief data officer. Amazingly, much to my surprise DOT was the first cabinet agency to have a CDO. Honestly, I thought I was playing catch up. I also knew it made sense to prepare, given not only the massive amount of data that we had, but the exponential growth in data that I knew was coming. Now we see other departments and agencies establishing CDOs. It just underscores what CIOs are seeing regarding the breadth and depth of data. We have significant quantities of data now, but it pales in comparison to what is coming down the pipe. Therefore, we really need to think about data governance, data sharing, data standards, and data analysis. Managing the data is distinctly different than analyzing it. We really have to start thinking about analyzing the data. We have to think

about getting the analytical skills needed to make the data work for us, so we can draw insight from the volumes of data we have and exponential growth of data we anticipate.

**Can you give us a glimpse into your leadership style and management approach?**



**Richard McKinney:** I make no claim that my leadership style is the best, but I just try to treat people the way I want to be treated. As a leader, I try to be as good a listener as I am a talker. I try to put myself in their shoes, because what I'm asking them to do is to put themselves in my shoes. I always demonstrate willingness to listen, and listen closely to digest what it is that is being said and by whom.

I think a healthy discussion begins with being a good listener. This is how I interact with my customers and staff. From a staff standpoint, I clearly recognize that IT is a team sport and I seek to surround myself with good people. I foster a healthy environment that welcomes dialog, and when necessary, argument. I empower my employees to think and challenge me. I press my team all the time. My team is there to make me smarter. My job is to set a vision for the office, outline steps to achieve it, listen to my team, help them overcome their obstacles, and anticipate what's next.

**What's your perspective on the Federal IT Acquisition Reform Act (FITARA)?**



**Richard McKinney:** The law passed in December 2014. Prior to issuing guidance, the Office of Management and Budget conducted a series of meetings and dialogs with the various communities in the federal government—taking it from law to implementation. FITARA begins by increasing the responsibility, accountability, and authority of the chief information officer for each of the major federal agencies by providing them with budget authority over IT programs. In the past, most CIOs lacked the ability to manage their agency IT deployments, because they lacked any control over the fashion in which IT budgets were spent. CIOs need to be held accountable for the performance on efforts such as data center consolidation, IT investments, and shared services. To be held accountable, one must have the authority to succeed. As a CIO, I welcome the pressure, if you will, the expectation to perform. I feel lucky to have this job and honored to put it in the service of this department's vital mission. I wake up every day looking forward to being held accountable for all of the work my office performs, but I also recognize that I have to have matching authority in order to be able to deliver on that accountability.

"My concern from my first day has been the department's cybersecurity issues; its cybersecurity ranking and its inability to meet FISMA requirements. The department has reported a material weakness in its information security program, which increases the risks of cybercrime, system failures, and unreliable data."



### What are the characteristics of the successful CIO of the future?



**Richard McKinney:** I think the successful CIO of the future is one who has a foot in the technical world and another in the business world. It is the CIO who enjoys the support and the trust of the business decision makers [mission leaders] themselves. To put a finer point, we don't do IT for IT sake. We do it to advance the department's mission—transportation safety. The successful CIOs must be well-versed on the technical side, but also be able to engage in discussions with the business or program leaders. It is about having a meaningful role in not only listening to the mission leaders, but also giving them advice. Let's face it: everything we do these days has an IT component.

### What advice would you give someone who may be thinking of a career in public service?



**Richard McKinney:** I have so enjoyed my years in public service. I had an initial 20 year run in public service before going into the private sector. But there was a part of me that really missed public service. From my perspective,

public service is a wonderful thing. As I travel, as I go through the country, and I used to think this when I was a CIO in Nashville, you know, you go home and you see your work. You see the things you're working on and you know you've made a difference in your community. It is a great honor. I take that responsibility very seriously and I'm very grateful. ■

To learn more about U.S. Department of Transportation, go to [www.transportation.gov/cio](http://www.transportation.gov/cio).



To hear *The Business of Government Hour* interview with Richard McKinney, go to the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



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# Enhancing Cybersecurity in a World of Real-Time Threats: Insights from Dr. Phyllis Schneck, Deputy Under Secretary for Cybersecurity and Communications, National Protection and Programs Directorate, U.S. Department of Homeland Security

By Michael J. Keegan



As a nation, we are faced with pervasive cyber threats. Malicious actors, including those at nation-state level, are motivated by a variety of reasons that include espionage, political and ideological beliefs, and financial gain.

The U.S. Department of Homeland Security (DHS) and its National Protection and Programs Directorate works to assist federal agencies to understand and manage cyber risk, reduce the frequency and impact of cyber incidents, readily identify network security issues and take prioritized action. What are DHS's key cybersecurity and communications priorities? What is the mission of the National Cybersecurity and Communications Integration Center (NCCIC)? How is DHS building capacity to accelerate the sharing of cyber threats? Dr. Phyllis Schneck, deputy under secretary, Cybersecurity and Communications, National Protection and Programs Directorate (NPPD), U.S. Department of Homeland Security, joined me on *The Business of Government Hour* to provide her insights into these questions and much more. The following is an edited excerpt of our discussion, complemented with additional research.

**Before we delve into specific initiatives, perhaps you could outline the mission and continuing evolution of the U.S. Department of Homeland Security's National Protection and Programs Directorate (NPPD)? What roles does your office play in achieving the directorate's mission in support of the department?**



**Dr. Phyllis Schneck:** The mission of DHS's NPPD is to lead the national effort to secure and enhance the resilience of the nation's infrastructure against cyber and physical threats. This is very important, because we must look

at all threats and their potential consequences. When something happens, we may not know if it is a cyber or a kinetic event, but we have to be ready to mitigate either threat. This requires that we be prepared. We have to know who to call. We have to understand the specific sector, whether it is water, electricity, or communications. NPPD leads the national effort to do just that—to protect and enhance the resilience of the nation's physical and cyber infrastructure. Its ultimate goal is to advance the DHS's national security mission by reducing and eliminating threats to the nation's critical physical and cyber infrastructure. It does this with the assistance of the following components that compose the National Protection and Programs Directorate, led by my boss, under secretary Suzanne E. Spaulding: Federal Protective Service (FPS); Office of Cyber and Infrastructure Analysis (OCIA); Office of Infrastructure Protection (IP); Office of Biometric Identity Management; and the Office of Cybersecurity and Communications (CS&C).

Within the NPPD, I lead the Office of Cybersecurity and Communications, which is responsible for enhancing the security, resilience, and reliability of the nation's cyber and communications infrastructure. CS&C works to prevent or minimize disruptions to critical information infrastructure in order to protect the public, the economy, and government services. CS&C leads efforts to protect the federal ".gov" domain of civilian government networks and to collaborate with the private sector—the ".com" domain—to increase the security of critical networks. In addition, the National Cybersecurity and Communications Integration Center (NCCIC) serves as a 24/7 cyber monitoring, incident response, and management center, and as a national point of cyber and communications incident integration.



“Whether it is the Einstein Program, the Continuous Diagnostics and Mitigation, or NCCI, it’s all about forging and sustaining partnerships. It is about people talking to people, sharing science and knowledge, and building relationships, so when something happens, we know who to call and what to do. If you can’t connect, you can’t share information and that is what we’re protecting, our connections and our way of life.”

## What are your specific responsibilities as deputy under secretary for cybersecurity and communications?



**Dr. Phyllis Schneck:** It is a long title with multiple responsibilities. I am deputy for cybersecurity and communications to the under secretary of the NPPD, Suzanne Spaulding. I am the chief cybersecurity official for the department and support its mission of strengthening the security and resilience of the nation's critical infrastructure. This involves making sure that our cyber mission is always fully integrated into the under secretary's vision of how to enhance our resilience against physical and cyber threats. Secondly, I also oversee the entire cybersecurity and communications operation. Whether it is the Einstein Program, the Continuous Diagnostics and Mitigation, or the National Cybersecurity and Communications Integration Center (NCCI), it's all about forging and sustaining partnerships. It is about people talking to people, sharing science and knowledge, and building relationships, so when something happens, we know who to call and what to do.

If you can't connect, you can't share information and that is what we're protecting, our connections and our way of life. All of this comes under my purview, as well as understanding how we work with the cyber mission in each of the components that comprise DHS.

## Given the critical mission of your office, what are the top challenges that you face in your position and how are you addressing these challenges?



**Dr. Phyllis Schneck:** Well, the challenges faced are linked to my priorities. I'll try to distill them accordingly, so you can get a sense of both the challenge and priority being pursued to address it.

- **Building Trust.** Number one is building trust with all of our stakeholders. My first priority therein for those stakeholders/customers is building their trust so they share with us information about cyber events. Every time we learn something about a cyber event, we can use that information to protect others. Gaining such trust is also a challenge in this environment. I hear from my private sector colleagues and I know from my experience, there has never been a harder time to share information or even, in some cases internationally, be affiliated with the U.S. government as a private company. But there has

also never been a more urgent time to put information and knowledge together, to connect the dots, to have that resilience in our infrastructures, both cyber and physical. Building that trust is both a top priority, and a significant challenge for me.

- **Building Situational Awareness.** My second priority and challenge involves building situational awareness—that means every time we protect something, we should learn from that event, and use that information to protect, mitigate, and respond to events as quickly as possible. Again, I can flip that and say that's an enormous challenge. We are widely interconnected. We face an adversary that has plenty of money and no lawyers. They have absolutely nothing to protect and they execute with amazing alacrity. We are building that same alacrity. We have to overcome the asymmetry. If we don't protect our privacy, civil liberties, and infrastructure, then we are not in the right business. Building situation awareness is both a priority and a challenge.
- **Leveraging the Cybersecurity Framework.** My third priority and challenge centers on leveraging the cybersecurity framework called for in Executive Order 13636 and developed in 2014 by the National Institute of Standards and Technology (NIST). The Executive Order called for the development of a voluntary risk-based Cybersecurity Framework, a set of industry standards and best practices to help organizations manage cybersecurity risks. The resulting framework, created through collaboration between government and the private sector, uses a common language to address and manage cybersecurity risk in a cost-effective way based on business needs, without placing additional regulatory requirements on businesses. The framework focuses on using business drivers to guide cybersecurity activities and considering cybersecurity risks as part of the organization's risk management processes. It is my priority and challenge to take the subject of cybersecurity once and for all into the boardroom. Cybersecurity demands the attention of senior leadership to understand the potential risks and consequences, so that they can invest properly in defending their resources and infrastructure. The cybersecurity framework has helped us get the message out where it matters and in a form that is compelling to both private and public sector leaders.



“The “weather map” initiative aims to apply to cybersecurity threats what the National Weather Service analysts do to predict climate conditions. Tornadoes happen fast. Cyber happens faster. The goal is to get a full-scale, real-time model of the potential cyber threat agencies face. This effort is in the early stages.”



**Would you tell us more about the “weather map” approach to predicting cyber threats that you are pursuing?**



**Dr. Phyllis Schneck:** This is one of my favorite topics. I studied high-speed tornado forecasting with high performance computing before I entered cybersecurity. Everybody can picture a weather map. You probably looked at one this morning. It will show you detailed weather information in near real-time. You don't need detailed information on upper atmospheric behavior. You just need to know if it's going to rain and if you're going to wear a hat. That's very much what we need in cybersecurity. Let me illustrate: A colleague who grew up in the Midwest would run for cover when the sky turned yellow—the sky turning yellow is the indicator. Meteorologically, frozen dirt may be in the upper atmosphere. In the summer, if you're seeing an indication of freezing and you have really hot air below, convective behavior manifests, thus leading to bad storms.

The “weather map” initiative aims to apply to cybersecurity threats what the National Weather Service analysts do to predict climate conditions. Tornadoes happen fast. Cyber happens faster. The goal is to get a full-scale, real-time model of the potential cyber threat agencies face. This effort is in the early stages.

**Would you tell us more about the mission and purpose of the DHS's National Cybersecurity and Communications Integration Center (NCCIC)? How does it foster the coordination and integration of cyber situational awareness and incident management?**



**Dr. Phyllis Schneck:** Our National Cybersecurity and Communications Integration Center (NCCIC) is core to all of our efforts. The NCCIC mission is to reduce the likelihood and severity of incidents that may significantly compromise the security and resilience of the nation's critical information technology and communications networks. Thus, it's the heart and soul of fostering that rapid information sharing. It serves as a 24x7 cyber situational awareness, incident response, and management center that is a national nexus of cyber and

communications integration for federal government, the intelligence community, and law enforcement. The NCCIC shares information among the public and private sectors to provide greater understanding of cybersecurity and communications situation awareness of vulnerabilities, intrusions, incidents, mitigation, and recovery actions.

Let me put that into some “non-Klingon” for fun: It means the raw materials of cyber threat indication. So, not a social security number, not your name, not what you ate that day, but really machine readable, executable code that would indicate that this code is going to do something to your machine, such as tell it to talk to others or share things with others when it shouldn't. In 2014, the NCCIC received over 97,000 incident reports, and issued nearly 12,000 actionable cyber-alerts or warnings. NCCIC teams also detected over 64,000 significant vulnerabilities on federal and non-federal systems and directly responded to 115 significant cyber incidents.

At DHS, we are uniquely positioned as a civilian agency with the only statutory privacy officer in civilian government to work directly with experts in privacy and civil liberties, so that in this time where it is so hard to bring a lot of extremely urgent information together, we can do that. That is our job in the NCCIC. It is also important to point out that we have been doing this “near real-time” or very fast. The NCCIC actively shares cyber-threat indicators to and from multiple sources including private sector partners, the intelligence community, federal departments and agencies, law enforcement, state, local, tribal and territorial governments, and international governments. This sharing, which has been taking place for many years, takes many forms, including person-to-person interactions on the NCCIC floor, manual exchange of information via e-mail and secure web portals, and more recently via automated, machine-to-machine exchanges in STIX and TAXII protocols. While all of these sharing methods have value, the cybersecurity community has recognized the strategic importance of migrating cyber-threat indicator sharing to more automated mechanisms when and where appropriate.

**Given your experience in both the private and public sectors, how would you compare and contrast the management and leadership traits and characteristics needed to address the unique challenges faced?**



**Dr. Phyllis Schneck:** In the private sector, we are driven by quarterly performance: your bottom line is money. Your money comes from doing a mission. In government, every day our bottom line is our mission and we simply need money to support it. So it's a little bit flipped. As a leader, it's all about people. Our mission is hard, but it is doable. People love a challenge. We're driven by the ability to make a real difference and a real impact in this area. We want to hire the best and the brightest and to me, as a leader, that's what is most important right now for us to be successful and achieve our mission. ■

To learn more about the U.S. Department of Homeland Security, go to [www.dhs.gov/office-cybersecurity-and-communications](http://www.dhs.gov/office-cybersecurity-and-communications).



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By Michael J. Keegan, Forum Editor

## Introduction: Pursuing Risk Management in Government —A Leadership Imperative

This world is fraught with uncertainty, and even the best-laid plans can go awry. Life brings with it varying degrees of risk as a condition of existence. This makes life both difficult, but also worthwhile. As the Lotto ad said, “You gotta be in it, to win it.” Everything worth doing entails a certain level of risk. The increasing complexity and interconnectedness of today’s world only ups the ante on the unknown. What makes a difference in individuals and organizations alike is how well you handle an uncertain environment, with all sorts of risks from financial to reputational to the operational. The way to manage this uncertainty is to build your capacity to anticipate and be resilient: can you anticipate the future and prepare for its effects?



Federal agencies are hardly immune to the “slings and arrows of outrageous fortune,” including sequestration, budget cuts, or a government shutdown. Along with these threats, each day federal agency leaders face similar, as well as unique, risks associated with fulfilling their respective program missions. Today’s headlines are full of stories of failed website launches, cyber hacks, abuses of power, extravagant spending, and a host of other risk management failures. The federal government has taken a hit, with the public’s trust in government continuing to be low, as measured in numerous surveys. This view is shaped in part from some of these stories about how federal agencies could have improved their operational and mission performance, had leaders taken the time to foresee and mitigate potential risks.

It is a leadership imperative for government executives to mitigate the potency of uncertainty by managing the realities of risk. Employing an enterprise risk management (ERM) process can assist leaders in doing just that. When employed on a strategic level, ERM can help decision makers evaluate the likelihood and impact of major events and formulate the best way to either prevent them or manage their effects, if they do occur. Many changes are now occurring that hold the potential to make government function better. It is a positive change that an increasing number of federal agencies have recognized the value of ERM and are taking actions to make ERM an important part of their operational model.

The first step in tackling risk is defining it. The conventional view of risk is focusing on a potentially negative impact. Risk management in this context typically focuses on managing threats to objectives. As Dr. Douglas Webster describes in *Managing Risks and Performance: A Guide for Government Decision Makers*, defining risk as merely the threat that objectives will not be achieved leaves unanswered the question of how to actively manage the balancing of opportunities and threats. Maximizing the opportunity for success



requires that threats and opportunities are actively managed together. As government leaders begin to allocate and invest resources and develop strategic plans for their agencies, it is important to consider threats as opportunities. All future events and the achievement of future results—the heart of strategic planning—are uncertain because they have yet to happen. In identifying, analyzing, and mitigating risk, ERM can also be a powerful resource for strategic planning and effective decision making. To that end, government leaders should view risk as “uncertainty that matters.” When does risk matter? Webster underscores that it matters when it has a material impact on the achievement of your strategic objectives.

As this publication goes to print, the Office of Management and Budget (OMB) is expected to issue a revised Circular A-123. The updated circular is likely to evolve federal agencies’ existing internal control framework to be more value-added and provide for stronger risk financial management to improve mission delivery.

This forum presents government leaders with insights, recommendations, and best practices drawn from two recent IBM Center reports that focus on ERM in government. The first contribution to this forum comes from Douglas Webster and Thomas Stanton’s report, *Improving Government Decision Making through Enterprise Risk Management*. Webster and Stanton describe the evolution of federal risk management approaches and several agencies’ experiences in adopting ERM. The authors asked current and former federal executives to describe the challenges of adopting an enterprise approach to risk management in their agencies and across the government. They present six challenges facing government leaders, and outline six steps that leaders can take to successfully implement ERM.

The second contribution to this forum is excerpted from *Risk Management for Grants Administration: A Case Study of the Department of Education*. Authors Young Hoon Kwak and Julia Keleher examine the experience of the U.S. Department of Education in implementing risk management initiatives in 2001. Based on their examination of the Department of Education’s experience, Young and Keleher present a series of lessons learned and recommendations for other agencies. The authors caution that risk management practices may represent a major change for some agencies and should be accompanied by training and capacity-building programs. They also note that agencies should take advantage of OMB’s new risk management requirements as an action-forcing event to improve their risk management capability.

This forum underscores the leadership imperative of taking risk seriously and highlights methods and practices to get out in front of an ever evolving threat environment facing government executives. ■

# Improving Government Decision Making through Enterprise Risk Management

Edited by Michael J. Keegan

*The first contribution to this forum is adapted from the IBM Center report, Improving Government Decision Making through Enterprise Risk Management, by Douglas Webster and Thomas Stanton. Federal leaders recognize the need to address risks effectively. While historically, the federal government has tended to focus risk management in the financial arena, the Office of Management and Budget has recently launched a major reassessment of the government's approach—encouraging the use of Enterprise Risk Management (ERM). Because policies don't often readily translate into action, Webster and Stanton describe the evolution of federal risk management approaches and several agencies' experiences in adopting Enterprise Risk Management. The authors present six challenges to implementing ERM and outline six steps that organizational leaders can take to make ERM a viable way to address threats and risks to their agency's mission.*

## What is Risk?

There are various definitions of risk. Terry F. Buss, an international scholar of public administration, writes, "Risk is defined as the uncertainty of outcomes arising from events, laws, policies, decisions, and actions. Risk has to be assessed against the combination of the likelihood of something happening, and the impact that arises if it does actually happen." He notes that risk is often viewed in negative terms, such as in connection with disasters, but that risk can also refer to positive actions, such as when introducing innovation. The need for effective risk management in government—and the consequences of a failure to adequately address risk—have become increasingly evident. There are many classic examples of inadequate public and private sector risk management in recent decades, such as the Challenger and Columbia Space Shuttle disasters and the Deepwater Horizon oil spill, to say nothing of the public and private failures that led to the financial crisis of 2007–2008.

We have continued to see an ongoing cavalcade of decisions reflecting poor risk management. The front pages of national newspapers routinely report on actions by private



companies, federal leaders, or agencies that do not appear to have considered the risks associated with various decisions and actions. There appears to be a common thread running through these events: a failure to adequately consider risk "up front" and address it as part of an organization's overall management.

Risks come in many different dimensions. The federal government has traditionally focused on managing financial risk, but is now beginning to address risk more comprehensively by incorporating other dimensions. The following presents examples of external and internal risk that organizations face.

## Why Is There Increased Attention to Risk in the Federal Government?

Assessing risk has long been a management imperative in the private sector, especially in the financial and insurance industries. The federal government has also paid attention to risk that is inherent in selected functions, such as natural disaster

response and air traffic control. But in recent years, there has been an organic growth in the amount of attention that is being paid to addressing risk across a spectrum of agencies. There are two sets of factors that account for this increased attention:

- **External Factors.** Environmental factors as diverse as an aging workforce, changing social norms, or increased cybersecurity threats have an impact on federal agencies in multiple ways. Having limited control over external risks, however, does not mean that they should be ignored. Instead, they must be considered as part of evaluating the achievability of future goals and considering alternative approaches to reaching those goals.
- **Internal Factors.** There are many risks internal to an organization over which it often does have significant control. The adequacy of internal processes, for example—such as associated controls, training, appropriate organizational values and culture, and many other factors—are under the direct influence, if not outright control, of the organization.

An important distinction between risks generated externally or internally is the degree of planning and incisive leadership required to appropriately identify and manage risks. The management of risks that occurs as a result of delivering current products and services is not a trivial task. It requires an understanding of the resources and processes involved and an understanding of where the uncertainties lie in the delivery of those products and services. Budget cuts increase the risks confronting an agency. In both the private and public sectors, major risks have materialized when:

- An organization undergoes a serious reduction in budget; and
- Top management, for any of a variety of reasons, seeks to “do more with less” without first undertaking the necessary work of organizational rebalancing.

### What Is the Value of a Risk Management Focus?

Effective use of risk management strategies can improve senior leadership decision making by strengthening both the quantity and quality of the information available for decision making and offering the opportunity for the fact-based information flow that can challenge the leadership team’s assumptions.

- **Risk Management as a Tool to Strengthen Decision Making.** Risk management plays an important role in a decision-making process. By institutionalizing the

### Examples of Types of External and Internal Risks Organizations Face

**Hazard risks**, such as:

- Liability suits (e.g., operational, products, environmental)
- Fire and other property damage
- Theft and other crime

**Financial risks**, such as:

- Price (e.g., interest rate, commodity)
- Liquidity (e.g., cash flow, opportunity costs)
- Credit (e.g., default by borrowers)

**Operational risks**, such as:

- Customer service
- Succession planning
- Cybersecurity

**Strategic risks**, such as:

- Demographic and social/cultural trends
- Technology innovations
- Political trends

**Reputational risks**, such as:

- Procedural and policy mistakes by staff
- Perceptions of misuse of government resources
- Fraud or contract mismanagement

*Source: Adapted from Brian Barnier, “Creating and Keeping Your Options Open — It’s Fundamental,” Chapter 5 in Managing Risk and Performance: A Guide for Government Decision Makers, by Thomas H. Stanton and Douglas W. Webster, eds. Hoboken, NJ: John Wiley & Sons, Inc., 2014, p. 123.*

presentation of information about “downside risks” associated with a decision, an executive, such as a risk officer, can facilitate the presentation of important information to help inform the decision-making process.

- **Risk Management as a Tool for Improving Information Flow.** The quality of organizational decision making improves because effective risk management creates an institutionalized process for encouraging the flow of information across the organization and up the hierarchy to the relevant decision makers. Once information is available, a leader needs to exercise judgment and make decisions about whether and how to proceed.



## OMB's Attributes of Effective Risk Management

In its Circular A-11, *Preparation, Submission and Execution of the Budget*, the Office of Management and Budget (OMB) lists the attributes of effective risk management.

Effective risk management:

- Creates and protects value
- Is an integral part of all organizational processes
- Is part of decision making
- Explicitly addresses uncertainty
- Is systematic, structured, and timely
- Is based on the best available information
- Is tailored and responsive to the evolving risk profile of the agency
- Takes human and cultural factors into account
- Is transparent and inclusive
- Is dynamic, iterative, and responsive to change
- Facilitates continual improvement of the organization

*Source: OMB Circular A-11, Preparation, Submission and Execution of the Budget, Section 270.24, "Performance and Strategic Reviews," August 2014.*

## Evolution of Enterprise Risk Management in the Federal Government

Risk has been managed within relatively narrow domains. These domains may be functional in nature, such as risks associated with responsibilities of the chief financial officer, chief information officer, or other functional areas. Risks are also addressed within programmatic domains, such as within an agency's or bureau's particular programs or projects.

All programs, functions, and other organizational elements have objectives related to their roles in the organization. They also have risks in achieving those objectives. Understanding and managing these risks typically requires specialized knowledge and experience relevant to the objectives sought and the risks encountered. Avoiding the risks of a failed financial audit, for example, requires individuals with the proper training and background to understand finances, Generally Accepted Accounting Principles (GAAP), and internal controls, as well as possess other skills needed to ensure a well-functioning financial system.

## Limitations of the Traditional Approach

No matter the degree of sophistication in managing functional risks, shortcomings can easily remain when risks are managed in one functional or programmatic area, independent of risks in other areas. These shortcomings can present themselves in a number of ways:

- Gaps in the identification, assessment, and treatment of risks between functions, programs, or organizational subdivisions.
- Inefficiencies due to overlaps in the treatment of shared risk.
- Inconsistencies in the treatment of risks by various functions due to dissimilar risk appetites and approaches to risk management.
- Lack of strategic alignment.
- Reduced return on investment in the application of limited resources to the delivery of a portfolio of products and services.

## What is Enterprise Risk Management?

As organizations become more experienced in the application of risk management, the shortcomings of the traditional siloed approach to managing risks within functional and programmatic sectors have become more obvious. This has led to slow but ongoing progress toward implementing the principles of Enterprise Risk Management (ERM). One of the earliest formal definitions of ERM was introduced by the Casualty Actuarial Society (CAS). In a report by its Advisory Committee on Enterprise Risk Management, the CAS in 2001 defined ERM as follows:

ERM is the process by which organizations in all industries assess, control, exploit, finance, and monitor risks from all sources for the purpose of increasing the organization's short- and long-term value to its stakeholders.

More recently, AFERM defined ERM as:

... a discipline that addresses the full spectrum of an organization's risks, including challenges and opportunities, and integrates them into an enterprise-wide, strategically aligned portfolio view. ERM contributes to improved decision making and supports the achievement of an organization's mission, goals, and objectives.

These definitions are instructive, in part because they point out that ERM is more than simply “good” risk management as traditionally practiced in silos. The AFERM definition references “the full spectrum of an organization’s risks,” while the CAS definition cites risks “from all sources.” These definitions inherently require a top-down, strategically driven approach to risk identification. The problem of “white space” means that such a comprehensive view of risk will not emerge simply from a bottom-up aggregation of risks identified within functional and programmatic silos. The need to incorporate risk management into the strategic planning process is an inherent part of any meaningful ERM program, and again, this requires a comprehensive view of major risks to the agency and its programs.

While the concepts of ERM outlined above have been maturing in the private sector for the past two decades, their introduction into the public sector is more recent. What is believed to have been the first enterprise-wide implementation of ERM in the federal government can be found at the Office of Federal Student Aid (FSA) in the Department of Education. In 2008, Doug Webster, a co-author of this report, was serving as the chief financial officer (CFO) of the U.S. Department of Labor. With a strong belief in the value of ERM, he reached out to other federal executives who shared that interest. Early in 2008, this informal group established itself as the Federal ERM Steering Group and joined with George Mason University to convene the first Federal ERM Summit. In 2011, the Federal ERM Steering Group was formally incorporated as the aforementioned Association for Federal Enterprise Risk Management (AFERM).

As the authors of this report have sought to explain in describing ERM, there is a need for a central office or

function generating centralized risk management policy, establishing cross-functional risk management processes, facilitating collaborative risk management discussions, and prioritizing risks. An additional effort aimed at helping inform the federal community about ERM principles and practices was the publication of the book *Managing Risk and Performance: A Guide for Government Decision Makers* (Wiley, 2014), co-edited by the authors of this report.

Despite the initially slow progress and misunderstanding of the term ERM, concrete progress is now demonstrably underway. In the book just referenced, one of the 10 recommendations offered to the federal government was to “incorporate ERM explicitly into Circular A-11 and OMB reviews of agencies.” On July 25, 2014, OMB released an update to Circular A-11 (its annual guidance to agencies on the preparation of their budget submissions) that recognized ERM as an important practice for managing agency risk.

### OMB Efforts to Encourage an Enterprise Risk Management Approach

OMB’s current interest in ERM has evolved over time, but became more evident early in 2013. OMB began working with the GAO to provide input on an update to Standards for Internal Control in the Federal Government (“The Green Book”), and to consider how evolution of the Green Book might influence internal controls policy reflected in OMB Circular A-123, *Management’s Responsibility for Internal Control*. The next version of A-123 is thus expected to broaden the role of A-123 beyond internal controls to include other aspects of risk management.

In October 2014, David Mader, then-OMB controller, stated in a panel discussion, “We have begun talking about how do we think about risk more broadly than just financial risk? I think when you look at [Circulars] A-11 and A-123, those were all borne out of the CFO Act. So everyone is narrowly focused on ‘well, it’s about financial risk and it’s about internal controls.’ What we are doing now is stepping back and thinking, isn’t there really a way to take the lessons learned and what we’ve accomplished with A-11 and A-123 and broaden that perspective across the entire organization, particularly around mission programs?” Mader went on to state that OMB believes that there needs to be an enterprise risk protocol across government, and that OMB would provide that guidance late in 2015.

### Challenges to ERM Implementation: Insights from Federal Executives

ERM poses basic challenges that must be addressed before it can become ingrained in an agency’s processes and culture.



Our interviewees identified six challenges that need to be overcome in the implementation of ERM. Four of these challenges relate to the distribution of power within the organization and two relate to conceptual issues and basic understanding of ERM. For a fuller description of these challenges, please download the complete report at [businessofgovernment.org](http://businessofgovernment.org).

**Challenges relating to the distribution of power in an agency:**

1. Sustaining support from the top
2. Addressing power concentrated in silos
3. Overcoming a culture of caution
4. Reconciling roles of the risk function with those of the inspector general or auditor

**Challenges relating to basic understanding of ERM and its value:**

5. Educating agency staff about ERM
6. Demonstrating the value of ERM

**Six Steps to Successful Implementation of Enterprise Risk Management in the Federal Government**

Based on research for this report, the authors believe that progress is being made to infuse federal agencies with more effective risk management, but as noted in the previous section, challenges remain. Perhaps the greatest danger for an agency or other organization is that risk management becomes a largely empty gesture of compliance with a set of documented actions, rather than a meaningful process that adds value to decisions. In simplest terms, there are six key steps that need to be taken to implement risk management in a government agency.

**Step One: Establish a Risk Governance Framework**

The first step is to define key players' roles and responsibilities. This needs to be done both government-wide and within each agency. Many different organizations are now involved to some extent in risk management in government.

- OMB should continue to encourage agencies to create cultures and processes that support ERM and inform budget examiners of the principles of ERM so that, in annual budget reviews, they ask agencies to identify major risks and explain how these are being addressed.
- GAO should regularly review best practices in risk management, and ERM in particular, in federal departments.



They should also analyze the risk practices of particular agencies and assess the extent to which agencies are accruing vulnerabilities that their risk management processes have failed to identify and address.

- Organization heads and chief operating officers should create an organization-wide operating committee to regularly identify major risks that could impede achievement of the agency's mission and objectives, prioritize these risks, and help to devise treatment plans to deal with the highest priority risks. They should encourage a culture of communication in the agency; establish a formal risk function; and enhance their budget processes so that they consider resources, targeted performance, and risk in an integrated manner.
- Inspectors general and other officials with oversight and audit responsibilities should meet with the agency's risk managers and determine how best to ensure that the effectiveness of the risk function can be evaluated without chilling the necessary flow of risk-related information to the agency-wide operating committee.

**Step Two: Create Conditions for Risk Management to Be Effective**

Whether an agency adopts ERM or merely focuses on specific types of functional risk, the agency head must work to ensure that information flows up and down the hierarchy so that risk-related information can flow to decision makers. To ensure information flows across the agency—and, indeed, to better manage the agency in general—the agency head should seek to assemble into a management team the heads



of major units. It is also important to staff the risk function with the right people and tools. In the end, the quality of risk officers and their access to information are more important than the size of the office and its budget.

#### **Step Three: Integrate Risk Management into Organizational Decision Processes**

To be effective, risk management must actually inform organizational decisions. Integrating risk information into the budgeting and performance management processes allows the agency to allocate limited managerial and funding resources to remediate major risks that might otherwise prevent the agency from accomplishing its mission. Integrating risk management with strategic planning allows decision makers to integrate information about major risks into the agency's planning for achieving goals and objectives. The agency head can also ensure that the risk function is represented at the table at major specialized committees that the agency may establish according to its mission and structure.

#### **Step Four: Protect the Risk Function**

It is essential for the organizational head to protect the risk function, especially with respect to major players whose fiefdoms may expose the agency to serious risk. This was a pattern that distinguished firms that successfully navigated the financial crisis from those that went out of business or otherwise failed.

#### **Step Five: Build Risk Awareness into the Agency's Culture**

The organization head has the ability and opportunity, as the saying goes, to "set the tone at the top." This includes establishing a culture in which feedback is heard and respectfully considered. Building cooperation and collaboration into individual performance standards is a good way to encourage



staff, and especially senior officials, to accept and listen to feedback about risks. Encouraging constructive dialogue between unit heads and the risk function is another important step. The agency head will need to continue to nurture risk awareness as a cultural value so that it remains integral to the way people in the agency carry out their activities.

#### **Step Six: Manage Organizational Change**

Moving from traditional risk management conducted in functional and programmatic silos to truly collaborative ERM requires significant organizational change management. A complete set of policies and procedures reflecting best practices in ERM will be of little value if those called upon to execute the policies and procedures resist the required behavioral changes. An organization's culture must support ERM, if it is to be effective. ■

#### **TO LEARN MORE**

##### **Improving Government Decision Making through Enterprise Risk Management** by Douglas Webster and Thomas Stanton.

The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 551-9342

# Risk Management for Grants Administration: A Case Study of the Department of Education

Edited by Michael J. Keegan

*The previous contribution to this forum introduced the concept of enterprise risk management, described the evolution of federal risk management approaches, and outlined six steps that government executives can take to realize the benefits of pursuing ERM within their departments. The final contribution to this forum offers a case study and is adapted from the IBM Center report, Risk Management for Grants Administration: A Case Study of the Department of Education, by Young Hoon Kwak and Julia B. Keleher. The authors examine the experience of the U.S. Department of Education in implementing risk management initiatives and creating its Risk Management Service. Drawn from Education's experience, Young and Keleher present a series of lessons learned and recommendations for other agencies. A major lesson is that the use of an automated, data-driven risk assessment tool enabled the department to apply uniform and consistent risk assessment procedures and make better use of audit data. The authors also learned that effective risk management is an iterative process that requires thoughtful use of existing data sources and consistent efforts to incorporate new ones.*

## Introduction

### The Department of Education

The Department of Education's (ED) mission is to promote student achievement and prepare them for global competitiveness by fostering educational excellence and ensuring equal access to education. In order to realize its mission, ED offers grants to individuals, institutions of higher education, local education, nonprofits, state education agencies, and other organizations. Thirty-three years after its creation, ED dedicated its \$68 billion budget in 2013 to:

- establish policies on federal financial aid for education and on the monitoring of those funds;
- make grants to states, school districts, and other organizations that provide education and related services;



- collect data on America's schools and disseminating research;
- focus national attention on key educational issues; and
- prohibit discrimination and ensuring equal access to education.

ED has outlined six goals in its 2014–2018 strategic plan. The first three goals focus on specific education program areas. The remaining three goals address the crosscutting efforts within ED. Risk management falls within the scope of the last crosscutting goal, which is to improve ED's organizational capacities to implement its strategic plan. Within this goal, ED has defined the strategic objective of improving the department's program efficacy through comprehensive risk management, and grant and contract monitoring.

### Federal Grant Making

The federal government's discretionary grant programs are designed to enable agencies to accomplish their strategic performance goals and objectives. Federal agencies need to make effective use of grants management best practices and internal controls to ensure effective administration of these grant programs. In addition, agencies must maintain necessary policies and procedures to ensure compliance with applicable laws, regulations, and published priorities.

Federal agencies award discretionary grants through a competitive process. The government and the public expect the process of competing for federal grants to be fair, objective, efficient, and transparent. In addition, the process should be executed consistently across all grantees. Despite these expectations, a 2012 Government Accountability Office (GAO) study found that, when internal controls in grants management and oversight are weak, federal grant-making agencies face challenges in achieving program goals and ensuring the proper and effective use of federal funds. This finding suggests that efforts to examine the discretionary grant-making process and identify opportunities for improvement would be beneficial to grant-making agencies.

### Department of Education's Approach to Risk Management

The Risk Management Service (RMS), which is housed within the Office of the Deputy Secretary within ED, is responsible for ensuring that the agency provides effective oversight of its discretionary grants. To this end, RMS develops and coordinates an agency-wide risk management strategy, which focuses on:

- ensuring high-quality management of ED's formula and discretionary grants;
- developing risk analysis tools and creating and codifying risk mitigation strategies; and
- providing training to increase the agency's internal capacity to engage in risk management.

Effective implementation of these strategies should enable grant-making program offices to administer grants in ways that bring about the realization of the intended education goals. In addition, these strategies promote prudent stewardship of public dollars.

For more than 25 years, ED has recognized the importance of assessing grantee risk. The Education Department General Administrative Regulations (EDGAR) establish how

ED assesses and responds to risk. According to EDGAR, risk conditions are present if a grantee demonstrates:

- a history of poor performance or poor business practices,
- financial instability, and/or
- lack of a management system that meets the required financial management standards (EDGAR §§ 74.14 and 80.12).

ED incorporated the EDGAR risk assessment requirements into its Discretionary Grants Handbook (DGH). The DGH requires program officers to ensure before awarding federal funds that grant recipients are competent, responsible, and committed to achieving grant objectives. The DGH also establishes the requirement that program officers examine grantee audits before issuing a grant award.

### Risk Management Across the Grant Life Cycle

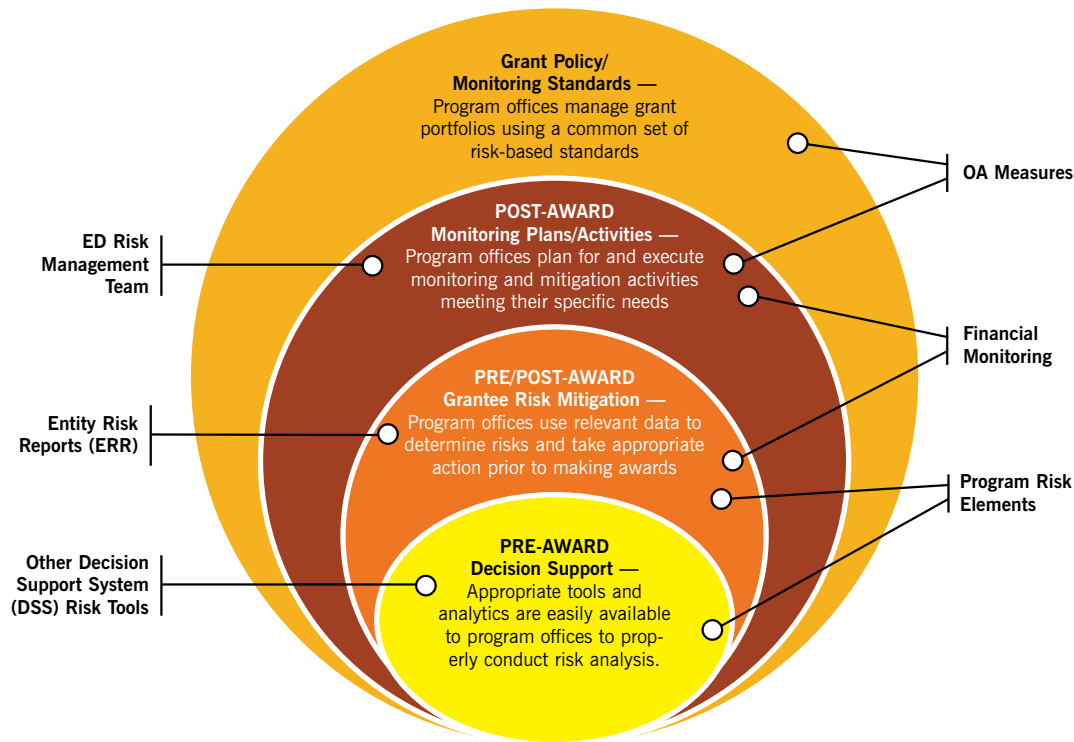
The foregoing description of risk management at ED has focused on risk assessments that are conducted prior to making a grant award. However, it should be noted that a risk designation can be made before or after a grant award has been made.

There are four phases in a grant's life cycle:

- **Pre-award:** The pre-award process involves reviewing submitted grant applications, making funding decisions, and preparing the grant award notice.
- **Award:** The award process involves creating the legal documentation required to make the grant award and notifying the grantee of the terms and conditions of the funding.
- **Post-award:** The post-award process begins after the grant has been awarded. This phase requires program officers to conduct various administrative, financial, and programmatic oversight activities.
- **Closeout:** The closeout process requires the grantee to report on the fiscal, programmatic, and other grants-related activities it has completed. During this phase, the program officers conduct activities to ensure that the grantee has complied with all other federal guidelines.

ED's approach to risk management across a grant's life cycle is presented in Figure 1. The strategy of formalizing the risk management practices in each aspect of the grant life cycle is



**Figure 1: Risk-Based Grant Oversight at Department of Education**

a recent development at ED. As such, the work to institutionalize this framework is ongoing and is considered a work in progress. Figure 1 is intended to clarify the risk management activities that should take place during the grant life cycle.

Figure 2 illustrates the application of ED's risk management practices for one grant program. The risk management practices are similar across most grant programs within ED.

### Creating New Risk Assessment Policies

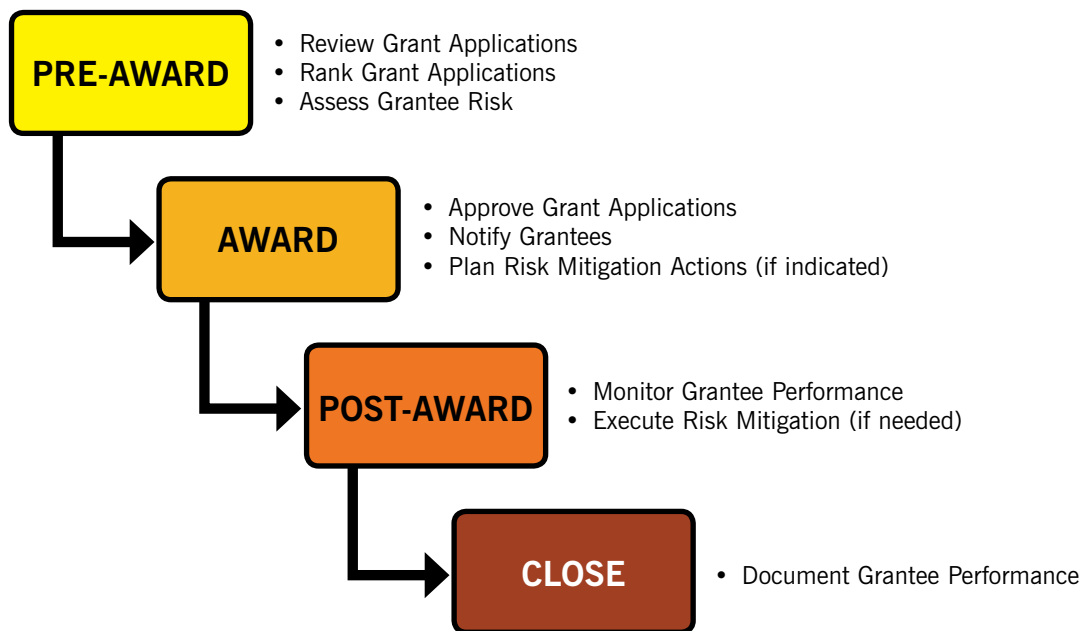
In 2010, ED created an official policy requiring program offices to conduct more extensive pre-award risk assessments. This internal policy established an agency-wide requirement for program offices to assess an entity's risk by reviewing, at a minimum, prior and/or current financial and performance information. There were three driving forces behind the creation of this new policy. First, ED's risk policy affirmed the Obama Administration's commitment to ensuring effective stewardship of federal funds. Second, the creation of a policy requirement for risk assessment helped to clarify the role and importance of the RMS at ED. Third, the new risk policy provided a context for program offices to understand the relevance of the newly available risk

assessment tools (called the Entity Risk Review (ERR), which is discussed in the next section). The 2014 version of ED's risk policy states that data in the Entity Risk Reviews are intended solely to provide information about applicants and/or grantees of awards funded by ED and, when used with other relevant information, to identify potential areas of risk. These reports are not intended to be the sole determinants of grantee risk; if a program officer identifies a potential risk, the officer must clarify how the risk will be mitigated.

### Alignment Between Risk Management at ED and the New OMB Requirements

In comparing OMB's *Uniform Administrative Requirements* and ED's EDGAR and the Discretionary Grants Handbook, one finds a high degree of consistency and overlap. Both agencies' policies require an examination of a grantee's financial stability and internal management capacity and a review of audit data and historical performance. Finally, both agencies encourage the use of multiple data sources when assessing risk. One notable difference between the two agencies' policies is that only OMB has formalized risk criteria that take into consideration the unique aspects and characteristics of a grant program.

**Figure 2: Risk Management Across the Grant Life Cycle**



It took RMS several years to develop an agency-wide capacity to engage in grant risk management. The next section explains how RMS began the process of formalizing its approach to grant risk management and of disseminating these practices across the agency before creating new risk assessment policies and procedures.

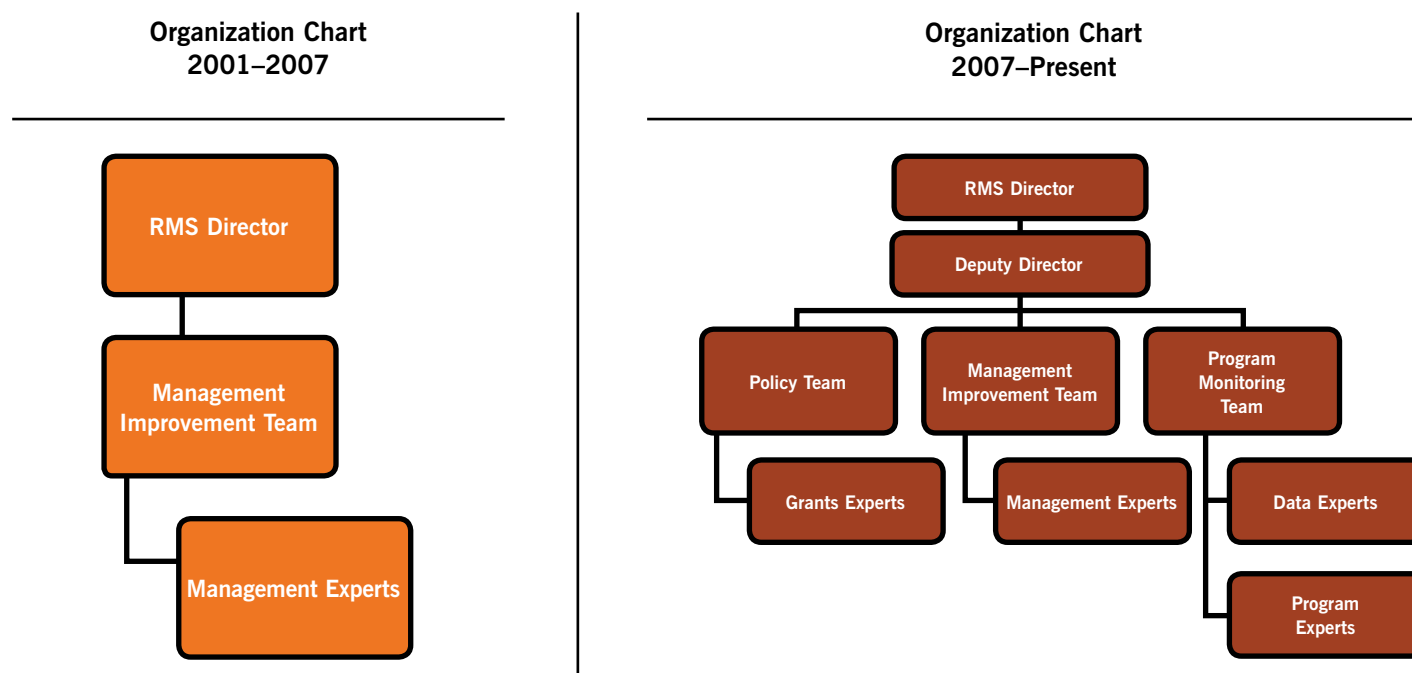
### **Operationalizing Risk Management at the Department of Education**

The size and scope of risk management efforts has changed and expanded greatly since 2001. Figure 3 shows how the organizational structure and scope of work of the RMS has expanded over the past decade. In 2001, RMS had five employees, all of whom focused on management practice. Today, RMS has 25 members and three distinct teams: Management Improvement, Policy, and Program Monitoring. These three teams provide critical support to the grant-making process and enable the department to effectively administer its grants.

### **The Need to Improve the Effectiveness of Risk Designation**

RMS identified several limitations to ED’s approach to making risk designations using EDGAR and the Discretionary Grants Handbook criteria. The first limitation was the fact that this assessment and decision-making process was decentralized and nonstandardized. As a result, different program officers in different offices could review the same data and information on a grantee and make different determinations of risk. The second limitation was that program officers felt that the EDGAR criteria were not useful for programmatic risk determinations, because they only assessed serious failures of internal administrative systems, rather than programmatic capacity to implement a federal education program. The third limitation was that EDGAR and the DGH criteria did not establish clear performance thresholds to determine “poor performance” or “financial instability.” These three limitations, when taken together, result in the creation of a risk assessment system that is largely subjective.

Figure 3: Evolution of RMS's Internal Organization



As a result, RMS sought to provide program officers with access to new types of data and information related to grantees' capacity to administer education programs. It also began to explore new ways of identifying other factors that inform assessments of grantees' future capacity to implement federal grants. These changes in approach marked the initial shift away from using risk management to respond to observed performance issues. The agency as a whole was beginning to search for a more proactive approach to avoiding or minimizing risk and increasing the likelihood of grantee success.

### Creating New Risk Management Tools State Score Cards

RMS's initial effort to standardize the collection and review of data to inform risk assessments was the creation of a state profile. To create the state profile, RMS staff had to sort through a variety of paper reports and collect individual data on states that received funding from ED. Once collected, this information was matched to fiscal data extracted from ED's grants management system. The determination of risk

in a state profile was based on professional judgment about the significance of performance reported for each indicator. A formula was used to combine the assessment of programmatic, management, and fiscal indicators and create a risk assessment result. The risk assessment results were color-coded: red indicated high risk, yellow indicated moderate risk, and green indicated low risk.

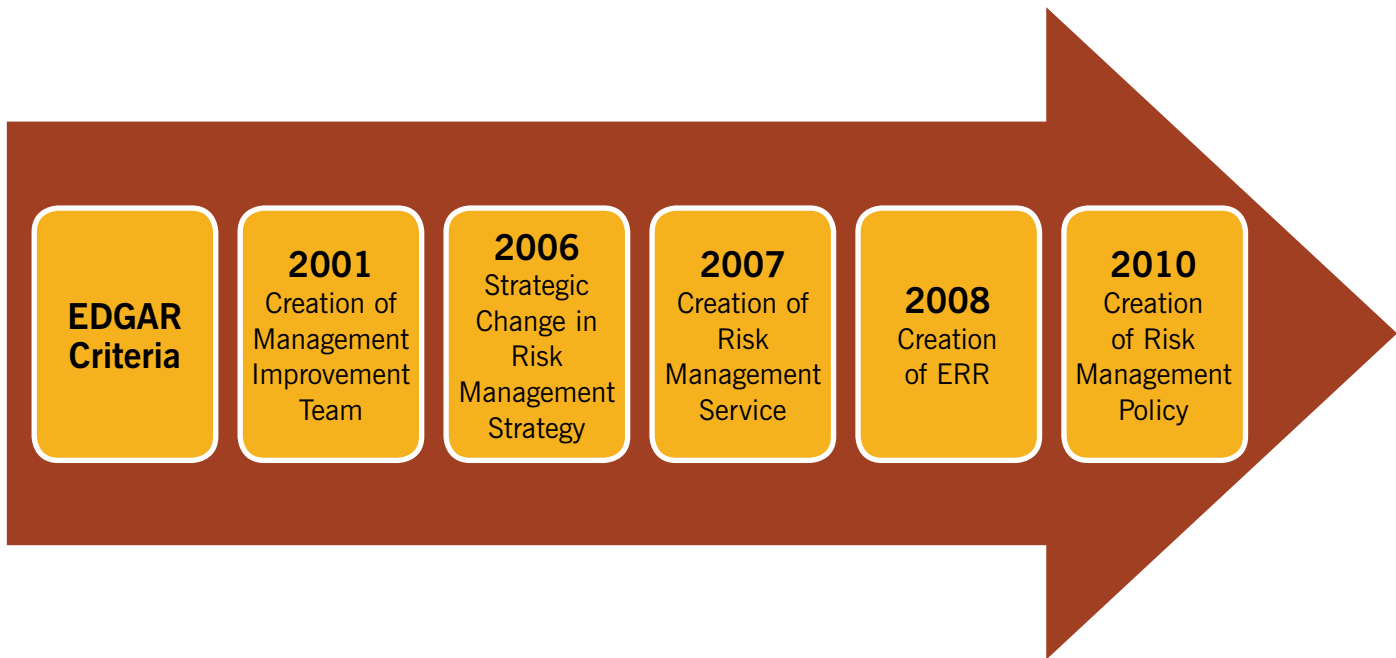
### Entity Risk Review

RMS began working on developing an automated method for extracting data from various systems to create these standardized reports. By late 2009, RMS had created a viable prototype of the new automated risk assessment tool, the Entity Risk Review (ERR). The ERR consolidated the disparate data sources into one report and included data from Dun & Bradstreet (DUNS), ED's internal G5, and FAC. Data elements within each of the three categories (administrative, financial, and internal control risks) were scored to create a risk indicator.

In order to help program officers incorporate the new risk assessment practices into their daily business activities, RMS



**Figure 4: Evolution of Risk Management at ED**



developed customized training sessions for each program office. These training sessions focused on teaching program officers how to analyze and interpret risk assessment data that were most relevant to their programs. The training sessions also included strategies and techniques for identifying and responding to grant-specific risks.

RMS continues to work on developing the agency's capacity to implement risk management principles. Program officers have requested additional training and guidance on the use of the ERR and effective mitigation strategies. The nature and complexity of this conversation continues to evolve and is much different from the types of conversations that took place in 2007. Since 2011, RMS has worked hard to improve the user-friendliness of the ERR. The original ERR was an Excel spreadsheet with various tabs. Program officers found the spreadsheet to be cumbersome and difficult to navigate. As of December 2014, RMS is finalizing a new delivery format for the ERR, using a web interface. During the past three years, RMS has made modifications to improve the ERR that have focused on:

- increasing the accuracy of indications of risk and
- reducing the instances of identifying risk that are not significant enough to require further investigation.

Additional efforts to enhance the ERR are focusing on ways risk analyses could be customized, based on program offices' needs.

Figure 4 summarizes the evolution of risk management services at ED. Our complete report highlights two case examples—the Detroit Public Schools and Puerto Rico Department of Education—that illustrate the application of ED's risk management practices. We describe how ED updated its long-standing approach to risk assessment to improve the effectiveness and efficiency of these business processes. These examples illustrate the evolution of risk management practices at ED. The cases begin with a description of the performance weaknesses each entity demonstrated. Next, the risk mitigation efforts provided for each

entity are described. The cases conclude with a sample ERR report for each entity.

## Lessons Learned and Recommendations for Risk Management in Grants Administration

This section concludes with a summary of the lessons learned from ED's efforts to incorporate risk assessment and risk mitigation practices into grants management. Based on our research, we present recommendations on how federal agencies can enhance the effectiveness of their risk management efforts and comply with OMB's new Uniform Administrative Guidelines.

There are four lessons learned from ED's risk management practices:

**Lesson One:** The department benefited by creating a defined and codified business process for managing risk in the department's grants portfolio.

**Lesson Two:** The use of an automated, data-driven risk assessment tool enabled the department to apply uniform and consistent risk assessment procedures and make better use of audit data.

**Lesson Three:** The department's success in implementing a department-wide enterprise risk management program required the creation of new internal policies and support from agency leadership.

**Lesson Four:** Effective risk management is an iterative process that requires thoughtful use of existing data sources and ongoing efforts to incorporate new ones.

Based on the lessons learned from ED, other agencies trying to implement risk management practices should consider the following:

**Recommendation One:** Agencies should move to a data-driven system to collect and manage data that can be used to make risk assessments.

**Recommendation Two:** Agencies should create tools and processes that facilitate program officers' interpretation of data and standardize the decision-making process.

**Recommendation Three:** Agencies should take advantage of the opportunity that the new OMB requirements create for improving risk management in awarding and overseeing federal grants.



**Recommendation Four:** The introduction of new risk management practices may represent change for some federal agencies and should be accompanied by training and capacity-building programs.

Managers and leaders in grant-making federal agencies can use the information presented in this report to improve or create new risk management practices. ED's example provides managers and leaders with important insights into how they should structure planning and implementation activities. It also highlights the importance of creating the infrastructure necessary to support the development and use of risk management policies and tools. Developing a better understanding of the experience of their colleagues at ED will enable federal grants managers in other agencies to develop risk management practices that result in more effective and compliant stewardship of federal funds among grantees. ■

### TO LEARN MORE

**Risk Management for Grants Administration: A Case Study of the Department of Education** by Young Hoon Kwak and Julia B. Keleher. The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 551-9342

# Perspective on Presidential Transitions—Before the Oath: How George W. Bush and Barack Obama Managed a Transfer of Power

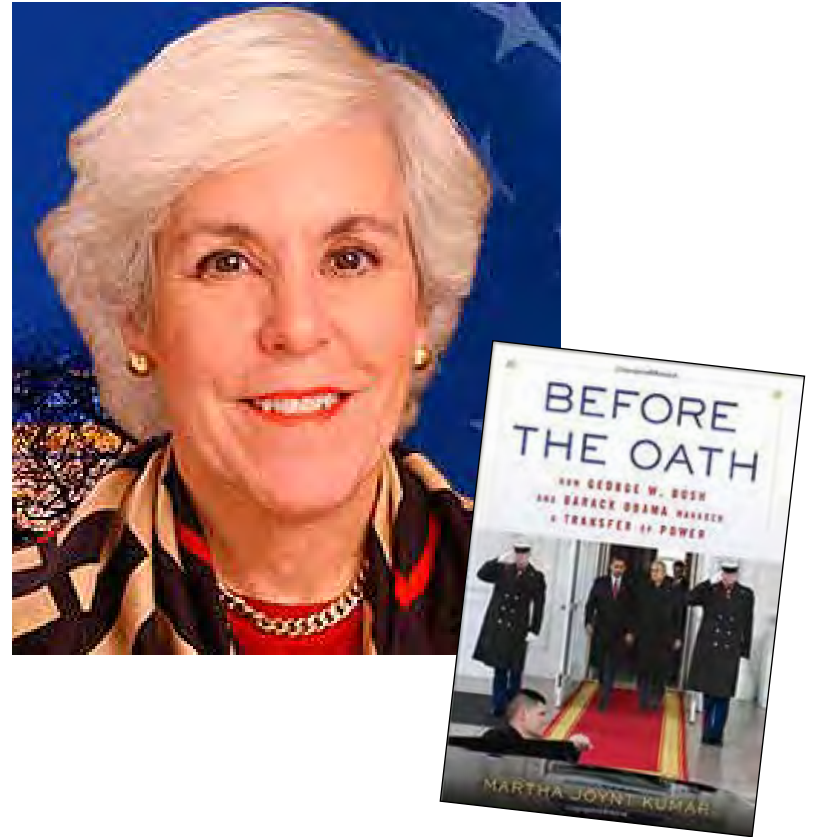
By Michael J. Keegan

There are approximately 75 days between a presidential election and the inauguration of a new president. This is considered the presidential transition period. It is a time of opportunity and hazard for an incoming administration. The transition from campaigning to governing requires that presidential policies be transformed from rhetoric into an actionable agenda and then into concrete results. Neither good policies nor sound investments are likely to work, let alone succeed, if undermined by poor implementation. Managing the federal government remains a complex and difficult assignment, both technically and politically. Numerous failures in recent years underscore the need to pay attention not only to policy, but also to whether and how policies and programs are actually executed.

In order to get an administration operational without delay, both candidates must be ready to do the following when one of them takes office. The candidates need to be prepared to select and vet some 100 top administration officials, staff up their White House, be ready in the first week to issue a dozen executive orders reflecting their social priorities and withdraw ones issued by their predecessors, have ready a speech to Congress on a major policy issue, and decide their budget priorities. Early planning makes all the difference.

The development of government-wide presidential transition planning in the U.S. has a relatively short history. The next presidential administration and senior level appointees need to be ready to lead and manage the government effectively when they step into the office on day one.

- What are the characteristics of a well-prepared, successful presidential transition?
- How does the 2008-2009 presidential transition represent a model to be followed by future incoming and outgoing administrations?



- What more can be done to enhance the U.S. presidential transition process?

**Martha Joynt Kumar, author of *Before the Oath: How George W. Bush and Barack Obama Managed a Transfer of Power*** joined me on *The Business of Government Hour* to share her perspective on these questions and to discuss her latest book on presidential transitions. Her research underscores the importance of early planning in presidential transition among incoming and outgoing administrations. Kumar enjoyed unprecedented access to several incumbent and candidate transition teams, putting readers directly behind the scenes.



Given the epic challenges facing government today, Kumar does us all a service by placing a necessary spotlight on a hallmark of American constitutional order: the peaceful transition of power from one president to the next. The following is an edited excerpt of our conversation.

## The Beginnings of Modern Presidential Transitions

One of the enduring characteristics of the American political system is its ability to manage—both peacefully and decisively—the changeover of presidential power, regardless of election results. That said, there is a relatively short history regarding formal presidential transitions. As the presidency grew in importance in the 20th century, midcentury presidents began to provide information on the positions and programs of their administration. President Harry Truman was the first to have a government agency—the Bureau of the Budget—to collect and give administrative information to his successor. Truman wanted to make certain that his successor would not be left in the same situation as he was when he became president upon the sudden death of Franklin Roosevelt in 1945. Truman had been vice president a short period of time, beginning his term on January 20th. In early April, Roosevelt died and Truman became president. He found that there was a great deal that he didn't know about what was going on in government, particularly related to the war, and the biggest issue was the development of the atomic bomb. He didn't want this for his successor. He announced at the Jefferson-Jackson Day Dinner that he wasn't going to run for reelection, then he talked to people in the Bureau of the Budget about preparing for a transition and gathering information for the next president.

They set about gathering the information. Truman also invited the party nominees to the White House after their conventions. He wrote both Adlai Stevenson and General Dwight Eisenhower about coming into the White House, but let me read to you the exchange, as it portends what in fact happened decades later during the 2008-2009 transition. On August 13, 1952, the president wrote to the candidates: "I'll have General Walter Bedell Smith and the Central Intelligence Agency give you a complete briefing on foreign situations." Following their respective briefings, each nominee would have lunch with the cabinet. President Truman also indicated to Eisenhower that the CIA would provide him with information on the world situation on a weekly basis. "After the initial CIA briefing, we will have lunch with the cabinet and after that, if you like, I'll have my entire staff report to you on the situation in the White House. Then that way you will be entirely briefed on what takes place."



Eisenhower was reluctant to take advantage of the offer. He wrote in response, "In my current position as standard bearer of the Republican Party and of other Americans who want to bring about a change in the national government, it is my duty to remain free to analyze publicly the policies and acts of the present administration whenever it appears to me to be proper and in the country's interest. I believe our communication should be only those which are known to all of the American people. Consequently, I think it would be unwise and result in confusion with the public mind if I were to attend the meeting in the White House to which you have invited me."

Truman was not happy and his response was pretty strong. It was a handwritten response, and those he could mail when he was passing a mailbox on his morning walks. He wrote, "I am extremely sorry that you have allowed a bunch of screwballs to come between us. You have made a bad mistake and I am hoping it won't injure this great republic."

What Truman wanted to do was make sure that both candidates were well informed, but the politics at the time didn't call for it. Today, the situation is different.

In 2008, Josh Bolten, who was President George W. Bush's Chief of Staff in charge of the transition operation, had representatives of both the Obama and McCain campaigns visit the White House and work on several different things; items that were going to be important to get straight before a new president took office....[in a sense, doing what President Truman wanted to do many decades earlier].

## Factors Contributing to the Increasing Importance of Presidential Transitions

Since President Truman first reached out to his successor, presidential transitions have become more formal and complex, as the office of the presidency has ascended in importance. The president is a world leader and as such, needs to be ready and knowledgeable of situations and circumstances on day one. The 2008-2009 transition was the first handoff of power from one president to another president—an outgoing to an incoming president—since the attacks of September 11 and the subsequent wars in Iraq and Afghanistan. The security posture of the country was a definite impetus for the increasing importance of transition planning.

As in 2008-2009, you're going to have the most preparation at the end of a two-term president such as George W. Bush, given that the president knows he is moving on. Therefore, he can dedicate the latter period of his administration to thinking through the things his administration has done and the issues it has dealt with and communicating it to the next administration. But, I'd like to underscore that it is also useful for the outgoing president's own legacy.

For example, Steve Hadley put together memoranda on the problems and issues the Bush administration dealt with, the countries that were important for a new administration to know about, as well as the actions and activities that had taken place between the U.S. and specific countries. These memos also highlighted the issues of importance, including nuclear proliferation. These were useful documents not only for the new administration, but also for the outgoing administration, providing it with an opportunity to wrap up their efforts...an [artifact] for presidential libraries.

## Elements of the 2008-2009 Presidential Transition

The 2008-2009 transition took place in an altered environment. As the Bush administration prepared for the transition, they viewed it differently than any experienced by earlier presidents. This same sentiment ran through the government as a whole. My book and research indicate that the preparations for the 2008 transition were more extensive and polished than any preceding one. That makes the 2008-2009 transition important to document for what happened, who was involved, what they did, and why they did what they did. My latest book focuses on such questions because the preparations are important, as well as a guide for future transitions.

This book focuses on the prominent elements in the Obama transition into the White House and the transition out of the White House by President Bush. Both aspects of a transition—the incoming and outgoing—are very important for understanding how the transition was organized and executed. Two studies in the book demonstrate the important aspects of the transition: the handling of presidential appointments and the central place of national security issues in a solid start to an administration. Together these subjects develop a portrait of how the change took place between Presidents Bush and Obama in early 2009.

## Characteristics of an Effective and Successful Transition

The 2008-2009 transition was a particularly good one because both sides took it very seriously. One of the factors involved in a good transition is that the president himself must be involved and direct the transition. Transition preparation requires a long lead time; in December 2007, President Bush charged his chief of staff Josh Bolten that given the country is involved in two wars, it was critically important to have the best transition ever. Most presidents will say they want to have the best transition ever, but the question is when they say it. Saying it in December of 2007 is a lot different than saying it the November of the presidential election when you don't have time to do very much.

With that charge, Bolten was able to make a plan, identify what needed to be done, and get a head start on it. One of the distinguishing features of this transition was the series of templates used by Bush's staff and administration officials



as well as the transition team for President-elect Obama. On both sides and independent of one another, staff created a series of templates for acquiring what information they would need and when they should be gathering it. The templates covered diverse functions and institutions. The templates also addressed the requirements and demands for the approximately 1,200 executive branch positions a chief executive has to fill and the process of gathering information. President Bush and his team left behind a solid outline of the steps future administrations can take to provide a productive start to their successors.

## Ways an Effective Transition Benefits a President

In a broader sense, an effective transition buys a new administration the chance to take advantage of the opportunities that exist at the beginning of an administration and to reduce the number of inevitable hazards. The benefits range from the direction of government to the reputation a president establishes in the early days.

It allows you to take advantage of the goodwill that is out there. When a president comes into office, there is a substantial amount of goodwill. You can see it by looking at the percentage a president won by and then look at the early Gallup polls once he comes into office, and you see a rise in the percentage of support. In my book, I outline 10 ways an effective transition benefits a president. I highlight a handful:

**Continuity in Government:** Transition from one administration to another is a volatile time. You don't want threats

and enemies to take advantage of this rather fragile period. Continuity in government programs and decisions—as well as crisis contingency plans—is important at such a vulnerable time. There are challenges that you want to make sure are not going to damage your administration, so as an outgoing president, you want to leave as stable a situation as you possibly can. With war in Afghanistan and Iraq underway in 2008, continuity in governing was essential. It was important in more than a national security sense. In 2008, the new president had an estimated 7,854 positions his administration could fill. With that many positions, a president and his staff need to set priorities.

**Directions of Government:** The presidential transition is an important element in establishing the direction of government. With a clear campaign agenda, an incoming president can quickly signal his governing priorities. President Ronald Reagan signaled his intention to carry through on his tax cut priorities in his first days in office. Less than an hour after he was sworn into office, Reagan issued a memo followed by an executive order to freeze the hiring of civilian federal workers. For other presidents as well, transition planning meant an early start on their policy initiatives. In President Obama's case, he signed the Lilly Ledbetter Fair Pay Act just a few days after coming into office, which he referenced often in campaign speeches as an item he had to accomplish. He also signed nine executive orders dealing with a range of domestic and national security issues. All of these actions required a great deal of preparatory work during the transition period.

**Seizing Political Momentum:** Getting off to a fast start has the benefit of leaving little blank space for your critics to fill in and represents an opportunity to discuss what you want to highlight. In today's political climate, your honeymoon period gets shorter and shorter. The opportunity for change is much greater at the beginning of the term. The political momentum is with you in a way that dissipates quickly. For example, President George W. Bush had an agenda ready to go and rolled it out in a weekly order. Each week had a policy theme to it. The issues went from education in the first week to establishing the Office of Faith-Based and Community Initiatives (OFBCI) in his second.

**Reducing Mistakes:** A good transition also helps to reduce mistakes. The transition is a vulnerable decision-making period. There are important choices to be made and mistakes are costly, especially in the appointments area. The presidential appointments have tripped up several recent administrations. It took President Bill Clinton until the middle of March to get his candidate for attorney general confirmed.





In contrast, President George W. Bush wasted little time at the start of his administration with only one nomination causing him trouble. The process of selecting your appointees requires the creation of the White House staff first, so you are setting up your decision-making system: what kind of information do you need before you can make a decision? Then you can start thinking through your appointees, because mistakes early on can really slow you down, turning a positive into a negative.

**Effective Working Relationships:** A well-planned transition can provide you an opportunity to establish effective working relationships with Congress and career staff. For example, President Reagan hosted a dinner at a fancy club during the transition period in Washington, and his guests were not only people he was going to appoint, but also the Democratic leadership in Congress. With this gesture, Reagan wanted to let people know that he was making a transition from being a candidate to being president. It is a critical leap from being a candidate of a party to president of all of the people. One of the ways the Obama transition operation built links with career staff was to tap former agency members with both agency knowledge and existing relationships with career staff. Several other ways an effective transition can benefit a president encompasses having good quality information, taking advantage of goodwill, and capturing public attention.

## Rhythm of Presidential Transitions

Transitions have a rhythm to them that involves a defined number of people, activities, and decisions to be made. There are four traditional transition phases. The first stage occurs during the primary campaign phase, when most presidential candidates designate a person to gather information on personnel and decision timetables. The second period follows the party nominating conventions when government institutions, such as the Office of Government Ethics, get involved in the transition process in a limited way. Following the election, when the winning candidate has been designated president-elect, the formal 75-day transition period into office forms the third phase. The fourth and final period is the transition into governing that takes place following the inauguration. In 2008, there were five stages in the transition rather than the traditional four. The additional phase transpired once candidates became apparent for both of the major parties and government agencies, and the White House could, and did, begin the process of establishing contacts with each candidate.



## Getting the Right People in Place

The personnel rules learned over the course of several administrations are: 1) hire one person to shepherd the personnel process; 2) have that person work on personnel from the early days of the campaign; 3) have a settled White House personnel staff before beginning cabinet selection. The Obama transition did not follow these rules, thus the personnel portfolio went through many hands. The benefits of having one person lead the process for an extended time are established. That person can start early and line up what needs to be done to gather names. That person can deal directly with the presidential candidate on what qualities and background he wants from his nominees. This lead person can establish the process and rules for handling nominees, and if or when a nominee doesn't measure up, there's an established mechanism to provide a swift exit.

## Lessons from the 2008-2009 Presidential Transition

The 2008-2009 transition is regarded as an ideal template for how to plan future power changes, whether a same-party handoff or a change in party transfer of power. This is the reality of a post-September 11th world combined with technological advances that make it easier to coordinate efforts.

There are practices and lessons from the Bush-to-Obama transfer of power that future transitions should consider adopting. I'll share some of those insights.

**Leverage the Resources of the Incumbent President:** All benefit when a president directs early and thorough preparations for the change in administrations. At the direction of President Bush, Josh Bolten guided a government-wide effort to define and then meet the needs of the next administration.

**Be Prepared to Consult on Policy:** A president-elect can expect to be involved in government policy before Inauguration Day. Constitutionally, a president exercises power until noon on January 20. However, in practical terms, presidents are aware that power is about to change hands, so acknowledging the coming change may in fact involve the president-elect in planning. This was the case in 2008 around the national security actions discussed between Steven Hadley and General Jones, which I elaborate upon in the book.

**Move Up the Transition Calendar:** Although current legislation defines early transition planning as beginning after the major-party nominating convention, the reality is that government agencies and candidates start their planning and assemble informal contacts when there are presumptive candidates.

**Shift from Campaigning with a Staff Ready to Govern:** There is always pressure on a president to bring with him those who helped him reach the White House. As it happens, campaign people are often not the best-qualified people to accomplish policy initiatives. There is a single goal during an election: to win the election. The focus is short-term. Governing requires dealing with people in a more nuanced way, which may not necessarily be a strength of campaign professionals. Balancing the number of campaign people who want jobs with the appropriateness of their backgrounds is a challenge that confronts every president.

**To Make a Transition Last Make Management a Priority:** Perhaps the greatest challenge that each president faces is how to make an effective transition last as long as possible. This is why it is useful to bring in experienced key players who can assess the kinds of change they can bring about and where concentrated action might be a waste of resources. It benefits new administrations to organize according to past practices, getting the right people in place, having a management agenda, and anticipating that transition issues may change.

In the end, it is important that the outgoing administration work with the incoming administration prior to the transfer of power. It is essential for an incoming president to have a decision-making system of choice in place, policy initiatives ready to present to the public, and to Congress, a sense of key priorities and a functioning personnel process. ■

Martha Joynt Kumar recently retired as a professor of political science at Towson University and is the author and coauthor of several books on the media and presidency, including the 1981 classic *Portraying the President: The White House and the Media*, published by Johns Hopkins.

You can listen to the complete version of my interview with Martha on *The Business of Government Hour* at [businessofgovernment.org/interviews](http://businessofgovernment.org/interviews).

# Strengthening the Connective Links in Government

*By John M. Kamensky*

Over the past five years, the Obama administration has pursued a host of innovation-fostering initiatives that work to strengthen the connective links among and within federal agencies. Many factors contribute to the rise of such efforts, including presidential support, statutory encouragement, and an ongoing evolution in the way government does its business. The challenge now is how to solidify the best of them so they remain in place beyond the upcoming 2017 presidential transition.

## Increased Use of Collaborative Governance

Dr. Rosemary O'Leary, an astute observer of trends in government, describes how government has steadily increased its use of collaborative approaches in lieu of the traditional hierarchical, bureaucratic approach. According to O'Leary, there are several explanations for this shift:

- First, “most public challenges are larger than one organization, requiring new approaches to addressing public issues” such as housing, pollution, transportation, and healthcare.
- Second, collaboration helps to improve the effectiveness and performance of programs “by encouraging new ways of providing services.”
- Third, technology advances in recent years have helped “organizations and their employees to share information in a way that is integrative and interoperable.”
- Finally, “citizens are seeking additional avenues for engaging in governance, resulting in new and different forms of collaborative problem solving and decision making.”

Early in his administration, President Barack Obama publicly placed a premium on the use of collaboration. One of his first directives to federal agencies set the tone for how he envisioned his administration would govern, directing agencies to be “collaborative” and “use innovative tools, methods,



and systems to cooperate among themselves, across levels of government, and with nonprofits, businesses and individuals.” To that end, the Obama administration undertook a series of supporting actions, including establishing cross-agency priority goals around issues such as reducing veteran homelessness, data sharing, and streamlining the sharing of social media licenses between agencies. Tackling many of these issues successfully involved the transformative intersection of innovation and technology.

In 2010, when Congress passed a series of amendments to the Government Performance and Results Act (GPRA), it provided the statutory basis for a broader, more consistent use of collaboration as a way of implementing policies and





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programs. These changes put in place a series of administrative processes:

- The designation of agency and cross-agency priority goals
- The naming of goal leaders
- The convening of a set of regular progress reviews

Taken together, these legislative changes embedded the value of collaboration into the administrative fabric of the governing bureaucracy. In addition, the evolution of technology tools and the advances in the use of social media has dramatically lowered the technical and bureaucratic barriers to working in a more collaborative environment.

## Ongoing Innovation Initiatives

There have been longstanding efforts to work within and across agencies more collaboratively, and the trends noted above have accelerated efforts in recent years. Following are three sets of examples, both large and small, of efforts underway in the federal government today. They are at different stages of maturity, but when taken together, their cumulative impact on the federal culture is increasing in significance.

Most of these collaborative efforts focus on initiatives to develop, encourage, and sustain collaborative capacity building; they include the creation of informal communities of practice, rather than specific policy initiatives, such as cross-agency efforts to streamline construction permits for large-scale infrastructure projects.

### Community Capacity Building

One of the more encouraging sets of initiatives in terms of changing the federal mindset is the evolution of collaborative capacity-building tools and communities that can be applied to a wide range of policy areas. These include:

- **The MAX Community.** Over 150,000 federal employees have joined the “MAX Community,” a cross-agency electronic sharing platform, so they can work with colleagues in other agencies more readily than through traditional channels. This platform is one of the pioneering efforts in cross-agency collaboration, launched in the mid-2000s. One of its key attractions to federal employees is its secure authentication capabilities, so colleagues can verify who they are working with.
- **Office of Executive Councils.** By statute, a number of cross-agency councils for mission- support “chiefs” have evolved, such as the Chief Financial Officers Council and the Chief Information Officers Council. Each council previously had its own staff support, but today, there is a single office providing joint support to all of the councils. This not only creates efficiencies, but also increases the opportunity for cross-council collaboration.
- **Informal Communities of Practice.** The General Services Administration’s Office of Citizen Services and Innovation Technology provides facilitation, training, and coordination, and serves as a catalyst for cross-agency collaborative efforts. Its goal is to drive adoption, overcome legal and other barriers, help organize a coalition of the willing, and share best practices and infuse them





into the fabric of the government. Examples of some of its efforts include:

- The Challenge.gov and other competition awards programs that crowdsource new innovations, such as the “robo-call killer” app that the Federal Trade Commission recently commissioned.
- The Citizen Engagement Playbook, which smoothes agencies’ approaches to involve citizens in their programs.
- The cross-agency Open Data, Mobile, and Community Experience communities, which foster best practices and lessons learned in targeted initiatives.

- **Benchmarking Mission-Support Operations.** The various cross-agency mission-support councils are sponsoring a series of cross-agency benchmarking studies to better understand the commonalities and differences in the costs and delivery of common services, including human resources, financial management, real estate, and IT. These studies will help agencies better understand their own operations in the context of other agencies, and identify potential opportunities for moving to shared services arrangements.

### Technology and Innovation Capacity Building

In a recent *Fast Company* article, former federal Chief Technology Officer Todd Park describes the Obama administration’s three-part systematic effort to build government-wide and agency-level capacities for technology and innovation.

- **The U.S. Digital Service.** The first is the creation of the U.S. Digital Service in 2014 within the Office of Management and Budget (OMB). This is “a group of technologists who strategize about what projects should become government priorities and which people should work on them.” According to its website, it “was launched to bring in the country’s brightest digital talent to transform how government works for American citizens and businesses by dramatically improving the way government builds and buys digital services.”
- **18F.** The second is 18F in the General Services Administration. This is a group of approximately 90 technologists and designers who take on jobs from anywhere within government that are in need of digital help. It has informal ties to the U.S. Digital Service, but it is essentially a service agency.
- **Agency-Level Digital Services.** The third is a series of tech teams, ranging in size from five people to 50,



that are being created in the two dozen largest federal agencies. These teams will work closely with the U.S. Digital Service for guidance and may turn to 18F for its services.

In addition to these organizational units, the administration created an IT talent pipeline into government via the Presidential Innovation Fellows (PIF) program. First launched in 2012, the Fellows program brings top talent from the technology sector and has them tackle specific projects across the government for a 6- to 24-month period. Of the nearly 100 fellows to date, nearly two-thirds have decided to stay in government. In August 2015, the president issued an executive order that institutionalized this program.

### Individual Capacity Building

The Obama administration has sponsored a series of other targeted initiatives to help develop the collaborative skills and competencies of individuals in agencies across the government.

- **GovConnect.** The largest capacity-building effort is sponsored by the Office of Personnel Management and is dubbed “GovConnect.” It is an effort to allow individuals to develop their skills and professional portfolios by volunteering for project-based “micro-tasks” in other agencies or units. For example, in the Environmental Protection Act, one person working on pesticides policy had Geographic Information Systems skills, and applied to work on a part-time project in the IT office to map key facilities around the nation that were listed in the toxic release inventory.

- **White House Leadership Development Program.** In December 2014, President Obama announced the creation of a White House-level leadership development program for cross-agency collaborative leaders. The program was launched in Fall 2015 with an inaugural class of 17 individuals who are high-potential candidates for the career Senior Executive Service.
- **Performance Enthusiasts and Ambassadors.** The cross-agency Performance Improvement Council has created a training and mentoring program to allow agency staff who are not working directly in performance offices to develop measurement and analytics skills that they can bring to their own workplaces.
- **Leaders Delivery Network.** The Performance Improvement Council is also sponsoring the development of a learning, best practices, and mentoring network among the 100 or so agency-level “priority goal leaders.” These roles were created by law in recent years and this network is designed to help them develop relationships across agencies and develop their skills as collaborative leaders.

## Creating Sustainability

Since many of these initiatives are relatively new, the administration may want to take steps to help sustain them during the transition to the next administration. Following are some examples used in the past to help bridge the transition:

- **Third-party Case Studies.** Showcase a successful initiative in media or have a third party document the initiative via a case study. Something similar to this occurred in the Clinton-to-Bush transition in 2000 when a third-party case study was written about the value of the President’s Management Council. Career staff at OMB used that study to validate the value of the Council, and the Bush administration re-established it.
- **Executive Orders.** Have the president sign an executive order to cement an initiative. This was done toward the end of the George W. Bush administration to solidify its performance management initiatives by having each department designate a “performance improvement

officer,” and create a cross-agency Performance Improvement Council. Many of these elements were included in the update of the GPRA statute in 2010. More recently, this approach was used to formalize the Presidential Innovation Fellows program in August 2015.

- **Career Champions.** Recruit well-respected career-level senior executives to be champions for an initiative. This is how the MAX Community made a seamless transition from the Bush to the Obama administration. In this case, both OMB and agency career executives convinced incoming political appointees that continuing and expanding the community’s MAX platform was a smart move.
- **Entrepreneurial Leaders.** Entrepreneurial career leaders in agencies can proactively reach out to their new political appointees to explain ongoing initiatives and how they can be helpful in implementing their political priorities.
- **Congressional Support.** Work with the appropriate congressional staffs to ensure authorizing language and/or appropriations are on tap. This helped in the development of the well-regarded Performance Partnerships initiative, which was developed late in the Bush administration and set the stage for its rapid implementation in the early Obama administration.

## Conclusion

When developing collaborative capacities, Dr. O’Leary notes that: “Working in a collaborative capacity means that the individual is not in charge and is leading in a way that is nontraditional.” She says that in a world where collaboration is commonplace, the types of leadership skills are very different. The skills are no longer those needed to control large bureaucratic organizations, but rather the ability “to bring people together, to engage partners horizontally, and to bring multiple collaborators together for a common goal in a situation of interdependence.”

Continuing to develop the connective links for making this new approach to governance possible is a key challenge facing the next administration. Building on the foundation of initiatives underway today may speed success. ■

# Developing a Management Roadmap for the Next Administration

By Daniel Chenok

Earlier this year, the IBM Center for The Business of Government commenced a year-long initiative with the Partnership for Public Service to frame key management issues and opportunities for the next presidency.

This process—which involves current and former senior government officials from administrations of both parties, as well as leading experts from academia and the business and nonprofit communities—is one part of a multi-pronged *Ready to Govern* (#Ready2Govern) initiative, in which the Partnership seeks to improve the transfer of power and knowledge between administrations. The effort includes an education component for transition teams around four sets of activities:

- improving the transition process,
- congressional support for efficient appointments in a new administration,
- preparing appointees to succeed in their new roles, and
- the creation of a “Management Roadmap,” a set of findings and recommendations to help the next president develop an agenda for driving sustained improvement in government’s capacity and effectiveness.

The IBM Center is pleased to collaborate with the Partnership to help the next administration get off to a strong start, and build sustained management excellence thereafter. We are grateful for the many distinguished thought leaders who are contributing their time and insights to this initiative, which consists of four roundtable discussions. Each roundtable addresses a critical impetus for immediate and sustained management strategies that support the achievement of the president’s mission and policy goals. The IBM Center’s website has information about the roadmap.

During the last several presidential elections, the Center has brought together innovative thinkers and an esteemed group



of authors to help draw out and identify important areas that the incoming administration should take seriously. In addition, the Center’s updated overview of how a new leader in Washington can succeed, “Getting It Done,” is now a staple in the Partnership’s onboarding education for many new political appointees.

## Management Roadmap

The Management Roadmap initiative builds on our efforts to recommend a set of competencies that can enable government to achieve key mission and policy goals in and across agencies. It builds on three key success factors:

- **Early planning is critical.** Planning ahead by bringing on a management team prepared from day one can make an



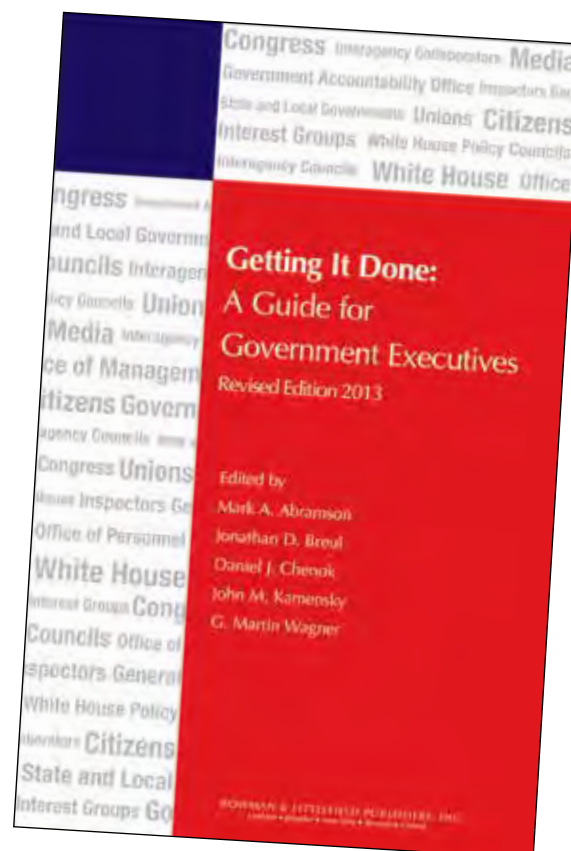


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enormous difference in helping the administration maintain its momentum. Too often, new leaders have entered the transition process without having carefully considered the elements of governing, and numerous administrations have taken months to place skilled management leaders into key position. There is a key difference between campaigning and governing, as the rhythm and priorities of a campaign are not often closely aligned with actions needed to lead and manage a broad and complex set of agencies and programs. Early planning can ensure a successful handoff from the current administration to the new team. This also provides the new team with valuable insights and benefits to build on their success.

- **Management is crucial to the success of an administration.** Good management can establish and contribute to an administration's success in achieving policy and political priorities, while reducing risks. From day one through the end of a presidential term, an administration will enable stronger performance by establishing management frameworks and governance structures that foster efficient and informed decision making. Without such structures, the immense breadth and depth of government activities becomes especially hard to oversee, and small problems can turn into large failures before leaders have a chance to react. Leveraging and linking efforts of cross-agency networks that support agency and interagency objectives, such as the President's Management Council, and functional organizations like the Councils for Chief Information Officers, Chief Financial Officers, and Chief Acquisition Officers, can pay enormous dividends in the implementation of good management practices.
- **Management drives effective delivery of mission outcomes and programs.** The new administration enters office with a set of priorities that the president has articulated throughout the campaign and transition period, which evolve over the course of a term in office. Leaders

who understand and can leverage effective management tools and practices are better prepared to execute on these priorities and see measurable and positive program results; in contrast, when management becomes an afterthought or a compliance exercise, poor performance and ineffective delivery often occur. The current administration's cross-agency priority goals, as well as the prior administration's performance agenda, demonstrate the importance of linking sound management with substantive outcomes. Building on such approaches in the first days and months in office can accelerate achievement of mission and policy goals.





The roadmap topics distill the essence of lessons learned from the past and identify current and new management initiatives that will be needed to address key challenges facing the country. The focus areas of these roundtable discussions include:

- **Developing and managing executive talent in government.** Focusing on strengthening federal senior leadership, including political appointees and career executives, and enhancing their collaboration.
- **Enhancing an enterprise approach to government in order to more effectively achieve mission outcomes.** Strengthening governance, improving collaboration, and using enterprise frameworks to build capacity to achieve cross-agency goals, improve operations, and lower costs.
- **Harnessing innovation to improve outcomes and productivity.** Creating and sustaining disciplined and replicable models of innovation to drive better customer service and improve outcomes.
- **Strengthening decision-making processes.** Creating the capacity to enhance analytics decision making through strategic planning and by integrating existing program evaluation, risk management, analytics, and benchmarking capabilities.

In each of these four areas, a distinguishing characteristic of the Management Roadmap will be to identify *how* to achieve measurable success across key priorities, not just *what* can be done to address those areas. The roundtable participants focus their discussions on current and past actions that can be carried forward in each area, gaps that exist in building management capacity to address that area, new opportunities that an incoming administration can leverage, and paths



to implementation that bring together existing and innovative ideas; the last of these items, paths to implementation, is so important to practical success that we and the Partnership will devote a special session to it.

As the roundtables occur, we will share the initial results of the discussions through our website, followed by in-depth summary reports with the Partnership that are authored by leading experts on the topic area. We are also coordinating with other groups engaged in transition planning and with the public, to build support and momentum for strong management as a principal enabler of success for the transition to the new administration. We look forward to the results of this process as a key input for that administration as it gets ready to govern. ■

# Creating a Balanced Portfolio of Information Technology Metrics

By Kevin C. Desouza

Given the growing dependence on information technology (IT) for service delivery and the accomplishment of mission objectives and the trend of increasing spending on IT, it is important that we have tools and techniques in place to develop a balanced portfolio of measures of IT performance, which include IT project management, IT operations management, and IT innovation.

This report investigates the state of the use of IT metrics in the public sector. The project reviewed literature across diverse fields such as management sciences, information systems, public administration and management, and operations management to examine the state-of-the-art approaches to the use of metrics for IT in the public sector. The project analyzed strategic plans from federal and state government IT offices to understand how metrics were captured in these formal plans.

## The Need for Metrics

Information technologies (ITs) are critical assets in all aspects of the public sector. The criticality of designing, implementing, and maintaining IT assets in an effective and efficient manner cannot be underestimated. Over the last few years, spending on IT has increased across all three levels of government (federal, state, and local), and most observers expect this trend to continue.

Given this growth in spending and the critical connection of IT to the operations and success of public agencies, we hear a limited number of success stories on how IT has helped transform agencies, deliver service more optimally, save taxpayer resources, and even lead innovation efforts to address vexing social challenges. We are more likely to hear about IT projects that have "gone rogue" and failed to deliver on their promises.

One possible cause for these problematic IT projects is that the chief information officer (CIO) community has not done enough to invest in the creation of metrics that capture the

performance of IT assets and their contribution to organizational performance. Building performance management processes and capabilities requires CIOs to invest time and effort to capture, validate, analyze, and share data on metrics. In the absence of credible information on IT performance, anecdotal evidence about IT failures is likely to dominate the discussion of IT performance in the public sector. With the availability of IT performance metrics, CIOs can both proactively manage performance and demonstrate mission results.

In light of very public IT failures at each level of government, the time now appears ripe for further improvement in the management of IT projects with the development of IT metrics. There are efforts underway to modernize policies and procedures when it comes to IT management and the role of the CIO. The challenge is that IT projects are highly complex, and government now is attempting to better manage that complexity. Part of the response to this has been the increased emphasis on developing metrics to measure current IT performance. As government deals with the challenge of IT and organizational complexity, its response has been to enact stronger performance management tools, such as metrics. Metrics should be used to measure current performance, as well as to signal opportunities for improvement.

Metrics identify organizational priorities and measure the performance of those priorities. Metrics should track performance and guide operational and strategic decisions. The Government Accountability Office (GAO) and the Office of Management and Budget (OMB) have extolled the need for quality IT metrics in government to measure and assess the effectiveness and viability of IT projects.

In a February 2015 audit of 20 Department of Defense (DoD) major automated information systems—which include communications, business, command, and control systems—GAO found that 12 out of 20 programs did not have cost and performance metrics in place within the first two years of the programs. GAO found that it took the DoD,

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on average, five years and two months, and \$452 million, to establish baselines for life cycle cost, scheduling, and performance targets.

In spite of the challenges, complexity, and inconsistency, a focus on metrics is important. Metrics are needed to increase transparency of operations, track progress, spur innovation, and understand areas for improvement.

## IT-Specific Performance Management and Metrics Programs in the Obama Administration

OMB plays a key role in the development and oversight of federal investments into IT by working with agencies to plan, justify, and determine how to manage their portfolios. OMB also assists agencies in developing business cases for potential IT investments and establishes management processes for monitoring investments. Through initiatives such as the IT Dashboard, TechStat, and PortfolioStat, OMB has focused its efforts on improving IT project management to prevent wasted resources. As explained below, these efforts are making strides toward improving performance management; however, most remain incomplete and need further development.

On July 25, 2013, David A. Powner, director of IT management issues at GAO, testified to Congress that:

“The federal government continued to spend billions of dollars on troubled IT investments and we identified billions of dollars’ worth of failed and challenged IT projects.”

## The State of IT Metrics Today: Challenges and Findings from Interviews

Twenty-seven chief information officers (CIOs) and/or IT directors were interviewed on their use of metrics to manage IT departments, personnel, infrastructure, projects, and innovation. The interviews identified four challenges:

**Challenge One:** Many IT metrics will depend on other organizational units meeting their performance targets.

**Challenge Two:** IT metrics require a focus on long-term planning.

**Challenge Three:** CIOs will need to coordinate efforts to integrate metrics and develop standards for comparison.

**Challenge Four:** IT departments must have the ability to collect real-time data on IT operations.

## Findings

Based on our interviews with CIOs at the federal, state, and local levels, we had five key findings:

1. CIOs recognize the value of metrics.
2. CIOs are adept at managing through metrics for outsourced contracts.
3. CIOs are participating in agency strategic planning processes.
4. CIOs use metrics for benchmarking, but with caution.
5. CIOs need to carefully manage IT metrics around cost.

The report notes that CIOs recognize and understand the value of metrics. CIOs have created programs to support the collection, analysis, and communication of data on IT programs, but they are challenged to find the time and resources to implement comprehensive performance management programs within their departments.

## Recommendations

Based on our interviews, the report now sets forth a series of recommendations on the development of metrics for use by CIOs in measuring IT performance. The recommendations are organized into a process framework of designing, implementing, and evaluation.

### Designing an IT Metrics Program

**Recommendation 1:** Set clear goals before selecting metrics—A common misstep in metric use is deciding which metrics to use before clear goals and objectives have been

identified and established. The CIO should look first at what the organization wants to accomplish and then decide on the appropriate metrics.

**Recommendation 2:** Develop a strategic IT plan linked to agency strategic goals—CIOs should work quickly and diligently to create detailed, thorough strategic plans. A CIO

should start with the agency's strategic plan to assess the areas where technology can enhance the agency's capacity and likelihood of reaching the goals.

**Recommendation 3:** Engage internal and external stakeholders in the development of metrics—Stakeholders should be engaged in the selection, definition, and collection of metrics.

### **The Federal Information Technology Acquisition Reform Act: A Stronger Role for Federal CIOs Can Enhance IT Performance Metrics**

The Federal Information Technology Acquisition Reform Act (FITARA), passed in 2014, enacted changes to the governing and management of information technology (IT) in the federal government. Amid significant challenges with IT procurement strategies and project execution, FITARA was developed to increase efficiencies, provide cost savings, provide better services to citizens, and limit the number of IT project failures. The most significant changes FITARA made to IT governance were strong mandates for chief information officers (CIOs) and the clarification of their role within their organization, their power, and responsibilities.

New authorities that FITARA vests in the CIO are significantly increased responsibility and authority over IT functions within the agency. Prior to the law, many CIOs did not have clear authority within their organization to manage IT. Authority and responsibility were often split, making IT management a tangled web that frequently reduced responsibility and clear accountability for project failures. Today, authority for hiring IT personnel, approving IT budgets, and signing IT contracts is now subject to the CIO's approval.

To establish clear lines of authorities and government-wide IT management controls, agencies now are required to set a common baseline for roles, responsibilities, and authorities. This baseline will come from a self-assessment and implementation plan that each agency will conduct and submit to the Office of Management and Budget (OMB). This baseline will become a basic set of requirements that explains how CIOs will interact with agency chief acquisition officers (CAOs) and chief financial officers (CFOs). It also outlines CIO mandates such as the CIO's inclusion in IT program planning at the agency component level, in final project approval, and on boards that use IT resources as well as the agency's Investment Review Board.

The baseline also designates that the CIO will define development processes, milestones, policies for capital planning, and IT resource reporting. This ensures that CIOs are creating processes that certify and review IT resources. Additionally, recognizing that placing too much responsibility on the agency CIO could create bottlenecks, FITARA added delegation responsibilities. CIOs will, however, still have the ultimate responsibility for IT functions within the agency. This keeps expectations of accountability and responsibility realistic, while creating new methods for governing IT projects within agencies and keeping the CIO as a strategic player across the organization.

To achieve the targeted changes of FITARA, agencies will have to implement transparency and review methods. CIOs will work with other program managers to outline strategic objectives and create IT performance metrics. Monthly reports that include updates via performance metrics and activity data for major IT investments will be submitted to OMB. If data reported is not timely or deemed unreliable by the CIO, the CIO must notify OMB and develop a plan to find and resolve the problem.

FITARA offers the opportunity for federal agencies to enhance the use of metrics in developing more evidence-based approaches to managing IT. Efforts such as baselining and sharing data will prove useful toward the creation of metrics. In addition, metrics focused on costs for services, acquisition, and maintenance of systems will become useful tools to streamline the management of IT in the public sector. Analytics, such as the identification of spending patterns, vendor-specific analysis for performance on contracts, and more rigorous project analysis can result if data on key metrics are captured and analyzed rigorously.



Stakeholders need to personally buy into the metrics, and understand the value behind participating in metrics programs.

**Recommendation 4:** Collect baseline data on performance—Collecting baseline data is important because it allows the CIO to accurately and reasonably measure performance. Baseline data are the foundation of performance management.

**Recommendation 5:** Avoid “watermelon” metrics—While CIOs are developing metrics, they should avoid creating index measures that combine multiple metrics, which can become “watermelon” metrics. Watermelon metrics are what one interviewee and his department use to describe results that appear “green” (reflecting success) on the outside but reveal a “red” (reflecting failure) core when split apart.

**Recommendation 6:** Select fewer and less-complex metrics—The old adage of “less is more” can be applied to metrics in the public sector. Quantity does not necessarily equal quality, and CIOs must understand this to find true value from their metrics.

**Recommendation 7:** Design and build dashboards that capture metrics—Metrics do not matter if we cannot make good use of the data they produce. Dashboards help us use data in a way that is easy to visualize and manipulate to meet our needs.

**Recommendation 8:** Do not focus exclusively on IT infrastructure metrics—CIOs need to have a balanced portfolio that looks at metrics around people, projects, and even innovation.

## Implementing an IT Metrics Program

**Recommendation 9:** Communicate regularly and often with key stakeholders about metrics—Maintaining dialogue with stakeholders allows the CIO to develop and reassess metrics that are up-to-date, useful, and goal-oriented. This can be done by establishing regular meetings with stakeholders that ensure changes—or possible disruptions—do not go unnoticed.

**Recommendation 10:** Keep metrics updated—CIOs emphasized the need to keep up-to-date and timely metrics. If the CIO has a metric, then ensure that the IT department is capturing data on it, analyzing it, and reporting the current status of it.

**Recommendation 11:** Use metrics to set targets—CIOs can use metrics to establish targets within each of the categories

discussed earlier (project management, operations management, and innovation).

**Recommendation 12:** Keep an eye out for people gaming the metrics—Metrics are only as good as their utilization, so managers must make sure that they are used as intended. There is ample evidence of the negative outcomes that can happen when employees attempt to game the system and work toward a certain metric output instead of working to actually improve performance.

## Evaluating an IT Metrics Program

**Recommendation 13:** Revise metrics periodically—We were told by several CIOs that, in order to get the right metrics, one must continually reassess. This requires CIOs to take a critical look at what they’re measuring, things that have changed, possible threats, and opportunities.

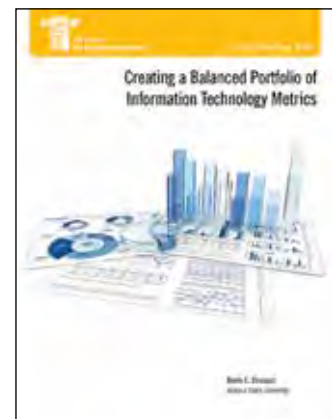
**Recommendation 14:** Seek continued renewal and improvement—Metric optimization must take place to enhance performance management. Optimization is continuous renewal and improvement; specifically, it requires organizations to mine metrics and use the information to drive continuous improvement.

As evidenced by this report, government IT leaders need now to be part of a new era of government performance management that is data-driven, constantly evolving, and optimized. ■

### TO LEARN MORE

#### Creating a Balanced Portfolio of Information Technology Metrics

by Kevin C. Desouza



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 551-9342

# Balancing Independence and Positive Engagement: How Inspectors General Work with Agencies and Congress

*By Charles Johnson, Kathryn E. Newcomer, and Angela Allison*

Among federal executives, U.S. Inspectors General (IGs) face a unique challenge: maintaining their independence from the agencies they oversee while striving to be positively engaged with agency leadership and fulfilling congressional committees' expectations. This challenge is rooted in the Inspectors General Act of 1978, which created a new entity within executive branch departments whose mission is to:

- ferret out fraud, waste, and abuse;
- provide leadership and coordination of policies that promote economy, efficiency, and effectiveness of government programs;
- keep agency and congressional leadership informed of their work; and
- accomplish their work while remaining independent of agency and congressional influence.

IGs are appointed by the president and confirmed by the Senate (or, for certain statutorily designated agencies, appointed by an agency head without Senate confirmation) and report to a department's top leadership. As such, IGs are statutorily granted independence from agency influence regarding matters they decide to audit, investigate, or evaluate. Inspectors General are also statutorily mandated to issue semi-annual reports to Congress about their activities and are granted the authority to inform Congress if their host agencies interfere with their work. Since 1978, Congress has created Offices of Inspector General (OIGs) for virtually all federal departments and agencies and has expanded their statutory authority.

## Balancing Expectations

This report examines how and under what circumstances IGs balance expectations of independence while being positively engaged with (and perhaps even cooperative toward) their agencies and Congress. This report draws on information from:

- personal interviews with a subset of current IGs and their staffs;
- personal interviews with agency leadership and congressional staff involved in oversight of IGs; and
- an examination of existing scholarly research, official documents, IG publications, and publications written by former IGs.

We find considerable variation in perceived levels of independence and positive engagement between IGs, their host agencies, and congressional oversight committees. Our research is designed to identify factors that appear to account for this variation. We offer success factors and recommendations regarding how the relationship between IGs and their constituencies may be improved while maintaining OIGs' independence.

## Recent Developments

Over the past 25 years, Congress has required IGs to perform a variety of additional administrative activities. These responsibilities were included in the following acts of Congress:

- The **Chief Financial Officers Act of 1990 (P.L. 101-576)** and the **Government Management Reform Act of 1994 (P.L. 103-356)** require IGs to oversee audits within their respective agencies for financial statements.
- The **Financial Management Improvement Act of 1996 (P.L. 104-208)** directed IGs (and agency chief financial officers) to assist in determining whether the financial management systems comply with federal laws and regulations.
- The **Reports Consolidation Act of 2000 (P.L. 106-531)** requires IGs to identify the most serious management and performance challenges facing their respective agencies and discuss how the agency is addressing those challenges.

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- The **Federal Information Security Management Act of 2002 (P.L. 107-347)** requires IGs to perform independent annual evaluations of their respective agencies' IT security.
- The **Whistleblower Protection Act of 2012 (PL 112-199, sec. 117)** instructs IGs to "designate a Whistleblower Protection Ombudsman" to inform agency employees about their rights as whistleblowers and protections against retaliation for acting in this capacity.

Operationally, IGs have recognized that their work also involves some measure of positive engagement, coordination, or cooperation with officials in their host agencies. Expectations of independence and positive engagement can produce crosscutting pressures for OIGs when independence might be compromised. Highly critical OIG reports often make the front page in national news media and, when IG findings become the subject of congressional hearings, they can place agency leadership on the defensive.

Understandably, relations between an OIG and the agency's leadership might be adversely affected by such reports and their public airing. IGs have been publicly criticized and sometimes forced to resign when their relationships with their agencies appear to have compromised their independence. This perceived lack of independence, in particular, can adversely affect an IG's relationship with Congress, because the IG is expected to make regular reports to Congress that are not filtered by agency leadership and staff. Issues of independence have also led to tensions over OIGs' access to information within their host agencies.

## IGs and Agency Leadership: Balancing Independence and Positive Engagement

Our interviews with all respondents began with questions about perceptions, views, and experiences regarding OIG independence and positive engagement with their respective agencies and with Congress. In this section, we explore the following issues regarding OIGs and their host agencies:

**OIG Independence and the Agency.** We asked whether conversations were conducted about the independence of

the OIG when the current IG was appointed, or when there was a change in agency/congressional leadership and the IG remained in place.

**Relations with the Agency Leadership Team.** We probed whether the IG was viewed as a member of the agency's leadership team or in what sense the IG reported to Congress.

**Resolving Conflicts with the Agency.** We explored how conflicts were addressed.

**Initiatives or Practices to Encourage Independence and Positive Engagement.** We inquired about what policies, practices, or initiatives were in place to encourage independence and positive engagement between the OIG and the agency.

### OIG Initiatives

Initiatives discussed by the IG or OIG staff included:

- communicating with the agency regarding what the IG was doing or about to do,
- encouraging agency leadership to provide feedback or suggestions to the OIG,
- making contact with an agency's day-to-day operational staff and external agency stakeholders, and
- making structural changes in the OIG to accommodate agency functions.

## IGs and Congress: Balancing Independence and Positive Engagement

Congressional staff interviewed for this report suggested that the relationship between IGs and Congress differs in many respects from that between IGs and their host agencies. Unlike the reporting relationship between IGs and agency leadership, the IG-Congress relationship involves multiple members of Congress, congressional staff members, and committees in both houses of Congress. OIGs interact with three types of committees in each house:

- authorization committees that oversee particular agencies or programs,
- committees that oversee the operations of all OIGs, and
- appropriations committees and subcommittees that fund OIGs and the departments and agencies.

In dealing with Congress—in contrast to their relationships with agency staff—IGs often work with and respond directly to individual legislators who have episodic, particular, and political interests and turn to IGs for information that will advance those interests. We explore the following issues regarding OIGs and Congress and report on interviewee comments regarding relations between OIGs and Congress:

**Issue One:** IG Interactions with Congress. We asked about interactions between OIGs and Congress, especially conversations regarding independence.

**Issue Two:** Resolving Conflicts with Congress. We explored the nature of conflicts between OIGs and Congress, and how those conflicts were handled.

**Issue Three:** Congressional Views of IGs. We inquired about congressional views of OIGs, and perceptions about those views.

**Issue Four:** Initiatives or Practices to Encourage Independence and Positive Engagement. We asked about initiatives or practices by the OIGs or Congress to encourage independence and positive engagement.

### Congressional Initiatives

Congressional staff interviewees believe that their committees can support OIGs by encouraging agencies to be responsive to IG recommendations—leverage that several OIG representatives acknowledged in conversations about relations with their agency and congressional contacts. Initiatives included:

- following up on OIG reports regarding open or unimplemented recommendations, and
- maintaining contact with OIG offices.

### Achieving the Right Balance with Agencies and Congress

All of the IGs interviewed for this project recognize the importance of achieving the right balance with an OIG's host agency and with Congress. "Straddling the barbed-wire

fence," or separating the executive branch and Congress, is one metaphor that is often used in the literature to capture the predicament facing IGs who are legally responsible for reporting to two principals. In addition to mentioning the "barbed-wire fence," interviewees offered additional new metaphors—"dancing on a tight rope," "walking the line," and "walking through the mine field"—which conveyed the crosscutting pressures of reporting to an agency head and to Congress.

### Success Factors Associated with Independence and Positive Engagement Between OIGs with Agencies and Congress

Individual bureaucratic styles and personality traits are clearly important in setting the tone for OIG relations with host agencies and with Congress. Our interviews suggest that individual styles did not get in the way of doing business. Virtually all of the officials we interviewed are seasoned professional leaders, dedicated to serving the public good, and seek to minimize personality-based conflicts in providing that service. Our interviews, as well as information contained in public sources, suggest that there are four factors associated with IGs maintaining independence and successful positive engagement with the agency and Congress:

**Success Factor One:** Mutually shared views of the role of Inspectors General—Agreement on the role of the IG appears to be a critical success factor in establishing productive relationships among the IG, the agency, and Congress. If the IG, the agency, or Congress view the role of the OIG differently, and these views are in conflict, stresses are almost inevitable.

### Recommendations

#### To Agency Leaders:

- Hold initial, candid, and extended conversations with an Inspector General about the role of the OIG vis-a-vis the agency and Congress. Topics meriting attention include:
  - Loyalties and independence
  - Differences between managing in the federal government workplace and the private sector (if an issue)
  - OIG access to agency documents, databases, etc.
  - The role of OIGs in independent agencies and government corporations (if appropriate)
- Establish and maintain clear lines of communication among the appropriate OIG officials and corresponding officials in the agency, including the general counsel, the chief financial officer, and the chief information officer.



**To Congress:**

- Respect boundaries for appropriate requests and expectations relative to IG law and resources (time, staff, budget, etc.).

**To Inspectors General:**

- Ensure that all new-hire orientations for OIG staff include a clear explication of the role of the OIG within the agency, including processes used to ensure the independence of the OIG.
- Communicate regularly with all OIG staff regarding expectations about the role of the OIG vis-a vis the agency and Congress.
- Communicate clearly with both the agency and Congress regarding boundaries for appropriate requests and expectations relative to IG law and resources, (time, staff, budget, etc.).

**Success Factor Two:** Confidence and trust in the Inspectors General—All OIGs in the study reported that they devoted time and energy to developing positive, functional relationships to build confidence and trust, and to lay critical groundwork for positive engagements with their agencies and with Congress. The degree to which the OIGs are successful in building confidence and trust correlates with the extent of positive engagement of the OIG with the agency and Congress.

**Recommendations**

**To Agency Leaders:**

- Meet regularly with the IG to maintain open communications and build trust.
- Respond to OIG requests for suggestions on audits, investigations, and evaluations in a timely fashion.

**To Congress:**

- Fully explore allegations regarding OIG work before holding a public hearing.

**To Inspectors General:**

- Strive to ensure that the agency and Congress are informed to avoid surprises with OIG findings and reports.
- Discuss with agency and/or Congress the scope and context of requests to avoid misunderstandings.

- Routinely request suggestions from the agency for topics and foci for audits, investigations, or evaluations in sync with the OIG's planning schedule.
- Establish links among lower levels of the OIG with corresponding agency and congressional staff to encourage informal communications.

**Success Factor Three:** Reciprocal responsiveness—

Establishing communication routines and taking actions that respond to OIGs' needs, requests, or inquiries to the agency or to Congress, and vice versa, appear to advance positive engagement between these parties. A lack of responsiveness, either perceived or real, may, however, result in tensions or strains that impede positive engagement.

**Recommendations**

**To Agency Leaders:**

- Ensure that follow-up to OIG reports is a high priority, a topic of frequent periodic discussions, and the subject of follow-up actions.
- Resolve conflicts between the OIG and the agency at the lowest levels possible in the OIG and the agency.

**To Congress:**

- Be timely in responding to requests from OIGs for requests for support or clarification of legal authority, responsibilities, and resources.

**To Inspectors General:**

- Resolve conflicts between the OIG and the agency at the lowest levels possible in the OIG and the agency.
- Clarify expectations and timing for submissions of comments and suggestions by agency officials on OIG drafts and final reports.

**Success Factor Four:** Investments in building and maintaining positive relationships—OIGs, agencies, and congressional offices have invested resources—time, energy, and money—to develop ongoing mechanisms to maintain mutually positive relationships. For the most part, OIGs rely on personal relationships at the leadership levels and at operational levels to foster positive engagement. These relationships are “institutionalized” through weekly, bi-weekly, or monthly meetings between the IG and the agency head.

## Recommendations

### To Agency Leaders:

Designate or create an audit liaison or compliance officer to work with the OIG during audits and to follow up on open recommendations.

### To Congress:

- Maintain open lines of communication with presidential appointees who are subject to Senate confirmation (PAS) IGs, and DFE IGs regarding ongoing OIG work and challenges (e.g., resource needs and any OIG/agency conflicts).
- Conduct periodic meetings with PAS and DEF IGs to discuss major projects and ongoing challenges.

### To Inspectors General:

- Establish ongoing links between OIGs and Congress with an OIG official dedicated to congressional relations and, when appropriate, “detail” OIG staff to congressional committees.
- Dedicate time and resources for visits with field offices or mid-level agency officials to discuss the role of the OIG and solicit suggestions regarding OIG activities.
- Make requests to Congress, when needed, for support or clarification of legal authority, responsibilities, and resources.

The role of Inspectors General is an important one in our governmental system. We hope that the IG community, and more broadly, stakeholders interested in improving governmental performance, find the insights and recommendations in this report helpful in furthering their joint efforts. ■

## TO LEARN MORE

### Balancing Independence and Positive Engagement: How Inspectors General Work with Agencies and Congress

by Charles Johnson,  
Kathryn E. Newcomer, and  
Angela Allison



### The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 551-9342

# Making Open Innovation Ecosystems Work: Case Studies in Healthcare

By Donald E. Wynn, Jr., Renée M. E. Pratt, and Randy V. Bradley

In recent years, government agencies have been faced with the following challenge: finding innovative approaches to deliver technological solutions to agency operations while at the same time, dealing with declining tax revenues and calls for more efficient utilization of public resources. In the private sector, there has been a steady flow of technological advances being developed among organizations and individuals.

## Open Innovation

One attempt to address this challenge is the idea of open innovation. For our purposes, open innovation is about getting external ideas into an organization to improve its ability to develop new products and services. Open innovation is also a way to take internal innovations to market through external channels. These two approaches can be used by government agencies that are interested in improving and increasing the value of their innovation processes; a vital area of emphasis in recent years.

This definition highlights the two approaches by which agencies can benefit by adopting open innovation practices:

**Approach One:** By adopting or using innovations that were developed externally, agencies can capitalize on industry best practices. Because these resources already exist, there is often less incentive to spend time and funding on conducting basic research and development internally within the organization.

**Approach Two:** By allowing their intellectual property (IP) that is developed internally to be released to the external markets, an agency can gain legitimacy, additional support options, and complementary products and services. In addition, releasing an innovation may attract additional ideas and components to the agency contributed by external parties. These contributions can be included in subsequent innovative projects.

## Management Challenges to Open Innovation

Open innovation introduces three managerial challenges: 1) an agency must be able to motivate administrators and line employees to contribute intellectual property that is developed internally to those outside their organization; 2) the agency must be able to identify and access promising ideas developed outside the organization that can benefit its internal processes; and 3) an agency must develop the capability to incorporate these external ideas, along with internal resources, to improve its innovation processes.

This report discusses a particular type of healthcare information technology—an electronic health records system (EHR)—that is an open-source software platform. Open-source software has been described as a particular manifestation of open innovation, based on two elements of the open source model:

- collaborative development of the technology (i.e., a software platform) and
- shared rights for everyone to use the technology.

Typically, open-source software projects generate revenues through the sale of complementary products and services, such as additional licensing fees for commercial support options. However, this is typically not an option for government agencies pursuing an open-source model, because the products are developed using public funding (making it illegal to sell them back to the public). However, despite not being able to generate revenues directly, agencies can derive significant benefits by establishing the technology as a de facto standard. The agency would achieve this by:

- releasing the technology for public use,
- attracting improvements and additional products from external adopters of the technology,

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- generating mindshare and goodwill within the industry market surrounding the technology, and
- increasing the support options for the technology that are available to external adopters and the agency.

Open innovation allows the agency to solve a number of important issues related to the value of its innovative practices, but perhaps the most crucial issue is how to attract and motivate external participants to help with its innovation practices. To address this issue, we first introduce the concept of a technological ecosystem.

### Open Innovation within a Technological Ecosystem

To illustrate how open innovation can work, the authors employ the concept of the technological ecosystem to demonstrate that fostering innovations cannot be done alone. The authors define an ecosystem as:

“The set of individuals and organizations operating within a given market space in order to provide a complete value proposition to the end customers, who are also part of the ecosystem.”

Based on our research, successful technological ecosystems can be managed by paying attention to five key elements of an organizational ecosystem:

1. Resources—the contribution made and exchanged among the participants of an ecosystem
2. Participants—the characteristics of the participants
3. Relationships—the relationships and interaction among the participants
4. Organization—of the ecosystem as a whole
5. External environment—in which the ecosystem operates

By managing these elements effectively within an ecosystem, the participants can realize an increased level of

functionality and enhance operations that, in turn, enable them to achieve a sustainable level of value creation.

### Achieving Open Innovation with Technological Ecosystems

In this report, we discuss the means by which a government agency can capitalize on open innovation via an open-source software-based technology ecosystem. Although we discuss a specific form of ecosystem in open-source software, we stress that it is a manifestation of open innovation in general and as such, similar issues and practices are applicable across a wide range of alternative open innovation programs. Based on our research, government agencies can capitalize on the available benefits in one of two ways, depending on whether or not they have existing technologies around which to base an ecosystem.

**For government agencies with previously developed technologies or systems that are effective for their internal needs, one strategy for capitalizing on the existing technologies would be to create an ecosystem of external participants around the technology in an effort to capture the innovation that exists elsewhere.** This requires attracting and retaining a wide range of potential participants and making the technology available to them in order to encourage and appropriate the resultant innovation. This strategy is exemplified by the U.S. Department of Veterans’ Affairs’ attempt to sponsor a new ecosystem around its existing VistA software.

**An alternative strategy is to join an existing ecosystem.** This strategy is appropriate for agencies seeking to develop new technological innovations from scratch, and will allow such agencies to utilize the resources available within the existing ecosystem in combination with their own resources.

### Making Open Innovation Ecosystems Work: Case Studies in Healthcare

The report presents two case studies from the healthcare sector that describe how technology ecosystems work and can effectively stimulate the development and dissemination of innovation.



- U.S. Department of Veterans Affairs (VA) built a new ecosystem around its VistA electronic health records software in order to better facilitate the flow of innovation practices and processes between the VA and external agencies and private firms.
- State of West Virginia selected a variant of the VistA software for deployment in its hospital system, saving a significant amount of money while introducing a number of new features and functionality for the seven medical facilities.

Each case study has been evaluated based on the five key elements of an organizational ecosystem outlined earlier.

## Best Practices to Capitalize on Open Innovation

Based on our study of the two ecosystems, we've identified 10 best practices for organizations seeking to capture significant return on investment from sponsoring innovation through technology ecosystems. We have delineated these practices according to the framework for evaluating and managing ecosystem elements described earlier: resources, partnership characteristics, relationships among members, ecosystem organization, and the external environment.

### Resources

#### 1. Define Clear Goals and Objectives for Open Innovation

Agencies participate in open innovation in order to introduce external ideas and solutions into their internal innovation projects and/or to enable the commercialization of internally generated innovations in the external marketplace. Prior to participation, agencies need to know which goal to pursue in order to maintain an adequate level of focus and make decisions accordingly. For instance, the VA was focused on both objectives in order to maximize the ultimate value of the VistA software, both within the agency and in the healthcare industry in general.

#### 2. Manage and Monitor Resource Flows Across Agency Boundaries

By definition, open innovation requires the sharing of information and other resources in both directions across the borders of an organization. An agency should not only appropriate resources from other parts of the ecosystem as inputs to their internal processes, but also contribute resources to other members of the ecosystem. In addition, the agency needs to identify and monitor the resources it is receiving from the ecosystem. What ideas, information, and

relevant knowledge have been brought from the ecosystem into the agency's internal innovation processes? Similarly, how has the agency's costs of innovation, product development, and support changed?

### 3. Manage Intellectual Property Rights

In many cases, the agency will possess patents, software licenses, and other IP rights on the basis of its past innovation results, which it can use as leverage in the outside market. Government agencies are often incapable of utilizing their IP in the marketplace to generate revenue or other direct monetary gain. However, IP plays a significant role in open innovation projects. It is important for agencies to strike a balance between retaining and releasing its IP to maximize the benefits of its open innovation and its overall organizational effectiveness.

### Participant Characteristics

#### 4. Seek and Encourage Diversity Among Ecosystem Participants

One of the best indicators of a growing, resilient ecosystem is an increase in the diversity of participants. While it is important for an ecosystem to have a large number of participants, it is equally important for it to attract and retain members of many different types to avoid homogeneous "groupthink."

### Relationships Among Members

#### 5. Establish Effective Positioning within the Ecosystem

Once the goals and objectives for participation are set, an agency must be careful to build and maintain relationships that will enable it to achieve its desired outcomes. For instance, for an agency or other entity (such as either the VA or the state of West Virginia) to access specific software development expertise, it will need to ensure that it can establish effective working relationships with vendors that possess this expertise.

#### 6. Be an Active Team Player

In addition to establishing the correct relationships, a participant must be a good citizen of the ecosystem in order for other participants to value their contributions and thus, enable them to fully take advantage of any benefits that may be available. This includes a number of attributes and actions an agency can take, such as by being an active contributor to avoid any accusations of "free riding." It is important for a participant to be committed enough to contribute a significant amount of resources toward the ecosystem, as appropriate.

## Ecosystem Organization

### 7. Establish and Observe Effective Governance and Leadership

The type of governance model that is established sets the tone for the cooperation and coordination among members of an ecosystem, while leadership establishes its vision and purpose. As such, it is crucial that these be established to enable participants to work together toward a shared outcome, while also enabling them to achieve their individual objectives. Governance and leadership work best in open source and open innovation when they are established in a shared manner, with each participant having a say in both the ecosystem's rules of conduct and the overall purpose.

### 8. Encourage Openness and Transparency

Similar to the establishment of effective governance and leadership, an agency should be willing to pursue openness when establishing an open-innovation program. This openness can be encouraged in many different ways. Participants should share their goals and objectives freely with other members without harboring hidden agendas that may lead to distrust if exposed or observed by others. The more open and transparent a firm can become with respect to its existing processes, the more likely other members will contribute external ideas that can increase the value of the overall innovation ecosystem.

## External Environment

### 9. Minimize Friction and Bureaucracy

An organization must learn to eliminate any close-minded attitudes toward “not invented here” that employees may have regarding the quality or usability of externally developed ideas. Another source of friction in public agencies and other large organizations is the existence of countless rules and regulations that must be followed to precision, despite any complexity or ambiguity inherent in them. In order to capitalize on creativity and innovation, an agency must learn to work through or around these issues to enable external participants to work with the agency effectively and quickly. Without this flexibility, innovation is strongly discouraged and in the worst cases, impossible.

### 10. Continuously Monitor External Conditions

Changes in regulatory policies, political climates, and industry conditions are inevitable. Monitoring the external environment for such jolts is therefore important in order for members to assess the resulting changes and adjust their

participation accordingly. These changes also may necessitate changes in the governance and leadership of the ecosystem as a whole. It is crucial to keep a watchful eye beyond the ecosystem to be prepared for anything that may affect future contributions, coordination efforts, and results.

## Conclusion

Although this report is based on a study of two open-source software ecosystems, it is important to recognize that open source is a manifestation of open innovation in general. As such, similar issues and practices are applicable across a wide range of alternative open-innovation programs. In addition, similar results can be found in other industries.

For example, the state of Georgia effectively sponsored an ecosystem surrounding an in-house developed open-source, software-based, integrated library management application. In addition, several universities (public and private) have joined forces to develop the SAKAI learning management system platform with new members joining each year. In both of these cases, we still find many of the recommendations that we describe above to be applicable in industries other than healthcare.

Agencies must be able to act in bold and proactive ways to be able to execute open innovation successfully. ■

### TO LEARN MORE

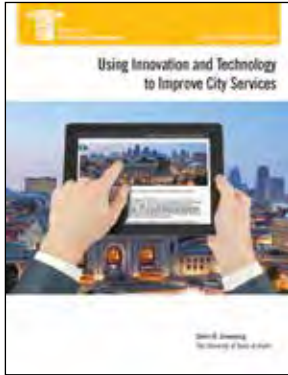
**Making Open Innovation Ecosystems Work:  
Case Studies in Healthcare**  
*by Donald E. Wynn, Jr.,  
Renée M. E. Pratt and  
Randy V. Bradley*



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
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# Recently Published IBM Center Reports



## Using Innovation and Technology to Improve City Services

*Sherri R. Greenberg*

*In this report, Professor Sherri Greenberg examines a dozen cities across the U.S. that have award-winning reputations for using innovation and technology to improve the services they provide to their residents. She explores a variety of success factors associated with effective service delivery at the local level, including: the policies, platforms, and applications that cities use for different purposes, such as public engagement, streamlining the issuance of permits, and emergency response. Professor Greenberg identifies a series of trends that drive cities to undertake innovations, such as the increased use of mobile devices by residents. Based on cities' responses to these trends, she offers a set of findings and specific actions that city officials can act upon to create innovation agendas for their communities. Her report also presents case studies for each of the dozen cities in her review. These cases provide a real-world context, which will allow interested leaders in other cities to see how their own communities might approach similar innovation initiatives.*



## New Jersey's Manage By Data Program: Changing Culture and Capacity to Improve Outcomes

*David Lambert and Julie Atkins*

*Over the last decade, a major trend in government management has involved the increased use of data by government executives. The "data" movement has many names. While the trend toward increased use of data to measure performance has received much attention, the training that civil servants need to use data effectively has received less attention. This report examines the New Jersey Department of Children and Families' (NJDCF) implementation of a Manage By Data executive education program to develop the ability of the state's child welfare managers to effectively use data. The challenge NJDCF faced was not just to use data more effectively; more importantly, it was to change the agency's culture to become more performance- and outcome-driven. The report concludes with three recommendations on how agency leadership can implement a culture change initiative, including ways to better align data analytics programs with agency priorities and processes.*



## Defining a Framework for Decision Making in Cyberspace

*Dighton Fiddner*

*The Department of Computer Science at Indiana University of Pennsylvania (IUP) brought together an interdisciplinary panel of experts in national security, international relations, foreign policy, information system network and security, public policy, and computer science. The results of the roundtable discussions and research conducted by the author are presented in this report. The report makes a series of recommendations for leaders to consider in developing a greater understanding of cyberspace, including the value of a broad and commonly accepted definition to help guide management actions in cyberspace. The panel of experts found that a better definition of cyberspace was needed, as well as an increased understanding of the concept of “strategic domains.”*



## Balancing Independence and Positive Engagement: How Inspectors General Work with Agencies and Congress

*Charles A. Johnson, Kathryn Newcomer, and Angela Allison*

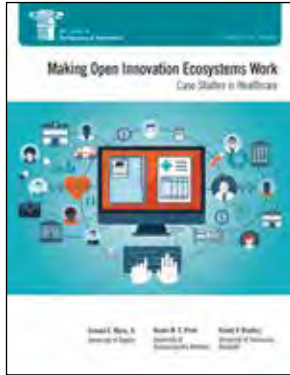
*The role of Inspectors General is an important one in our governmental system. In January 2015, Michael Horowitz, chair of the Council of Inspectors General on Integrity and Efficiency, said that the most-cherished attribute of the IGs is their independence. What can be done by the IGs, agencies, and Congress to maintain positive relations with agencies and Congress, in a way that respects the statutory independence of the IGs? The authors of this report undertook a series of confidential interviews with staff in each of these three institutions to gather candid insights. The report identifies four success factors associated with positive engagement between the IGs, agencies, and Congress:*

- *Mutually-shared views of the role of Inspectors General*
- *Confidence and trust in the IG*
- *Reciprocal responsiveness by the IG, the agency, and Congress*
- *Investments in building and maintaining positive relationships between the IG and the agency*

*The authors then distill a series of promising practices identified by interviewees that could contribute to improved interactions among the three institutions regarding the roles of the IGs and these institutions' collective efforts to improve the management of government.*



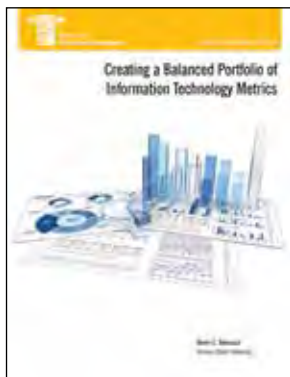
## Recently Published IBM Center Reports



### Making Open Innovation Ecosystems Work: Case Studies in Healthcare

Donald E. Wynn, Jr., Renée M. E. Pratt, and Randy V. Bradley

*In the midst of tightening budgets, many government agencies are being asked to deliver innovative solutions to operational and strategic problems. One way to address this dilemma is to participate in open innovation. This report addresses two key components of open innovation: adopting external ideas from private firms, universities, and individuals into the agency's innovation practices, and pushing innovations developed internally to the public by reaching out to external channels. This report examines both strategies by studying two cases of government-sponsored participation in technological ecosystems in the healthcare industry. As a result of these studies, the authors have identified 10 best practices for agencies seeking to capitalize on open innovation.*



### Creating a Balanced Portfolio of Information Technology Metrics

Kevin C. Desouza

*Information technology has made possible the availability of real-time data and the tools to display that data, such as dashboards, scorecards, and heat maps. This has advanced the use of data and evidence by government decision makers in meeting their agency and program missions. But what about the use of performance metrics by agency chief information officers themselves?*

*Professor Kevin Desouza argues that a balanced portfolio of metrics is needed for project management, operations management, and innovation. Based on interviews with over 24 seasoned government CIOs, he identifies illustrative metrics that CIOs might consider adopting and offers a set of recommendations for how CIOs might go about designing, implementing, and evaluating the effectiveness of their metrics initiatives.*

# Recent *The Business of Government* Magazines



## Winter 2015

*My goal is straightforward: to introduce readers to the works, insights, and advice from some of today's key government executives, who are tackling significant management challenges and seizing opportunities to lead such as NASA Administrator Charlie Bolden, Dr. Karen DeSalvo, Victor Gavin, David Klaus, Tom Sharpe, and Steve VanRoekel.*



## Spring 2014

*This edition of The Business of Government magazine underscores the importance of correlating short-term decision-making with long-range consequences. We highlight the latest trends and best practices for improving government effectiveness by introducing you to key government executives, detailing the work of public management practitioners, and offering insights from leading academics.*



## Summer 2013

*This edition of The Business of Government magazine surveys a variety of public management issues facing us today. Whether it's leading in the "new normal" of "doing more with less," or how the lack of resources drives the need to "innovate," "collaborate," or "change" the way you do business; some may say buzz words abound. What we seek to do is go beyond the buzz to introduce and connect our readers to actual public-sector executives who are leading agencies or initiatives that are focused on critical missions.*

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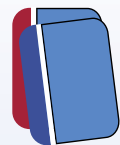
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